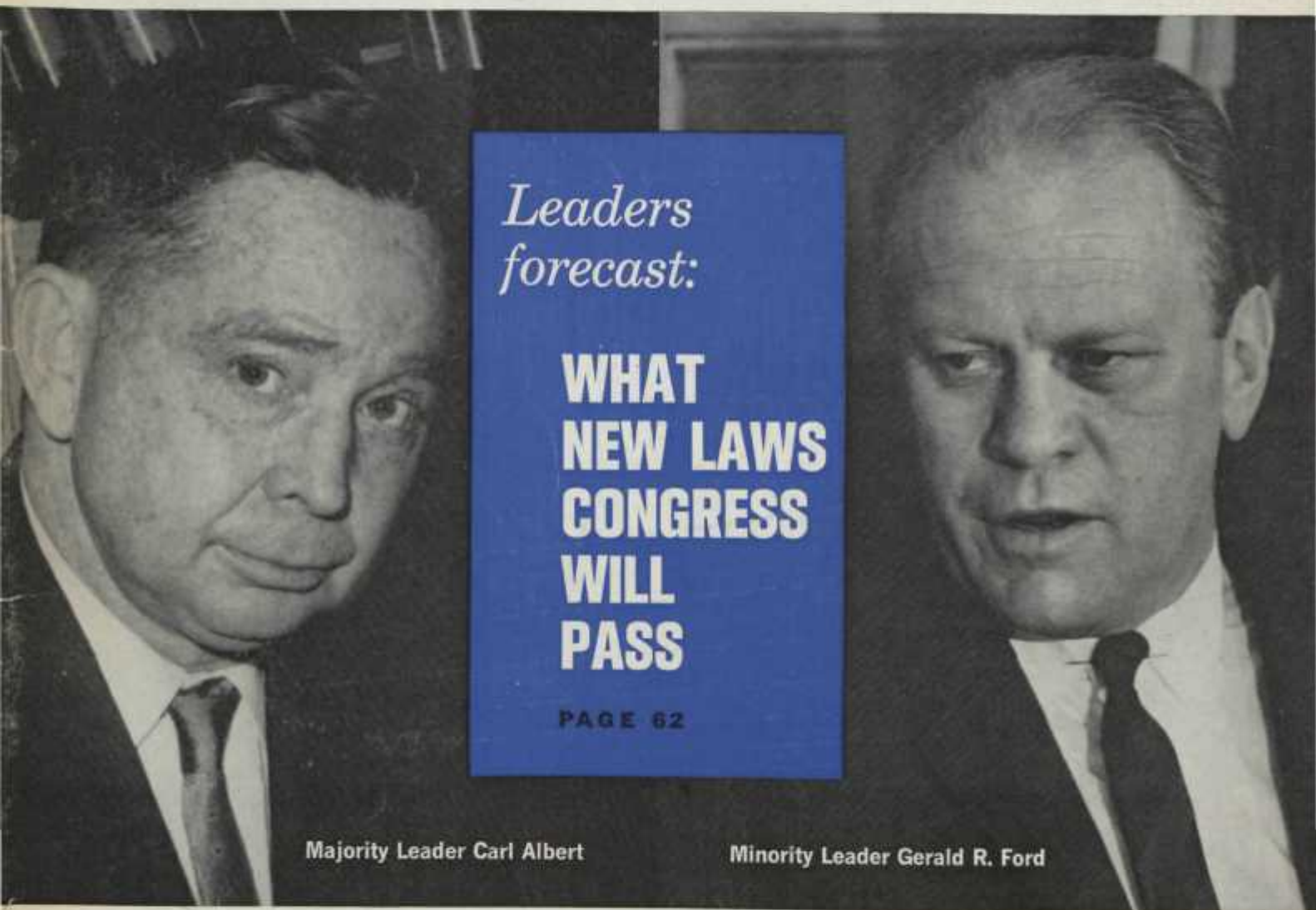


Nation's Business

A USEFUL LOOK AHEAD

JANUARY 1966



*Leaders
forecast:*

**WHAT
NEW LAWS
CONGRESS
WILL
PASS**

PAGE 62

Majority Leader Carl Albert

Minority Leader Gerald R. Ford

Where did Frank's building go? PAGE 36

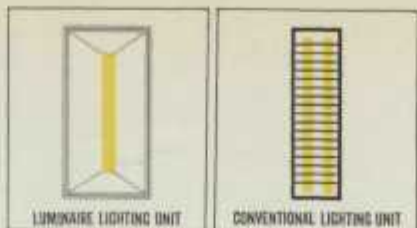
How to slice a trillion dollar pie PAGE 33

**Red China's plan to
conquer the world** PAGE 40

To make it, we threw out the rule-book. And we got a lot more for our pains than dramatic appearance.

This is an Armstrong Luminaire Ceiling System (one of three). It's kind of a package deal—air distribution, lighting, noise control all rolled into one easy-to-install system.

That's a big departure right there. And so are all the pieces. Take lighting, for instance. Most lighting fixtures are rather cramped affairs. There's very little reflective surface surrounding the lamps. So a good deal of the light created never gets down to your desk top. With the unique V-shaped modules in a Luminaire System, you get up to three times the reflective surface around each lamp. So more of



the light created gets down to where you need it. Result: whatever amount of light you want, Luminaire will deliver it using fewer lamps than a conventional system. And that means lower replacement costs, lower lighting bills.

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We could go on. But you get the

point. When you dare to be different, there's a lot to be won. And we won on air distribution, too. And noise control. And installation economy. Everything.

Like more details on Luminaire? Like to know "How to get more useful work out of a ceiling . . . and save money doing it?" Our new booklet by that title tells all. Write for it: Armstrong, 4201 Mercantile St., Lancaster, Pennsylvania.

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Armstrong

MEET THE ICONOCLASTIC CEILING:



1966 1966

Long Distance at the turn of the year

This is the most appropriate time to thank your customers for their business. Why not telephone them—particularly those out of town? Your thoughtfulness will build goodwill and increase sales in the year ahead.



*Talk things over, get things done
... by Long Distance!*



Bell System

American Telephone & Telegraph
and Associated Companies

Nation's Business

January 1966 Vol. 54 No. 1

Published by the Chamber of Commerce of the United States
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4,500,000 companies and professional and business men
Washington, D.C.

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The federal government is peddling more subsidies today than ever before, but we must keep our freedom of choice

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"We didn't think a diesel could fit economically into our type of medium tonnage operation," says Oregon newspaper carrier. "But GMC's Toro-Flow diesel changed our mind."



Dave Johnston is no green horn trucker.

Yet, to him and his brother George, owners of Johnston Bros. Trucking of Portland, Oregon, using diesels for delivering newspapers from Portland to various surrounding distribution points seemed "unthinkable."

That is until GMC came up with Toro-Flow, the unique engine that introduced diesel economy even to short haul, stop-and-go truckers.

Three Toro-Flows get the test.

Johnston Bros. are now prime contract carriers to Portland's two major newspapers, the Portland Journal and the Oregonian. They've put on three medium tonnage Toro-Flows to handle part of the hauling "just to see if they could save us some money," Dave Johnston pointed out.

"We've got 40 trucks in operation delivering papers to communities in the circulation area of these two papers," Johnston says. "We've put a total of 240,000 miles on the three Toro-Flows—



and you just wouldn't believe the reports we get in on these three diesels."

15 m.p.g.!

Fuel economy apparently gets the most enthusiasm around Johnston Bros. these days.

"Our gas-powered trucks average around 10 miles to the gallon," Johnston said. "These diesels consistently come in at 15 miles per gallon. Now that's what we call appreciable savings."

Johnston's Toro-Flows pack around 10,000 pounds each of bundled news-

papers on three different routes. They hit cities around Portland like Eugene, McMinnville, Astoria, Seaside, Kelso, Albany, Corvallis and Longview, Washington. The longest run is about 330 miles round trip. All three trucks are constantly on the road, two of them seven days per week.

Ordinary diesels couldn't do it.

"The diesels make quite a few stops in Portland and the other cities," Johnston said. "They idle quite a bit, too. Now you'd think that would really bring down the m.p.g.'s—but it doesn't on Toro-Flow. We save money with these trucks—enough, we figure, to regain the extra cost of our investment in about 24 months of operation. Can't beat that—no ordinary diesel could do it."

Top performer.

Another point about Toro-Flow Johnston brought up was the performance of these three engines. "They're plenty powerful," he said. "In fact, they perform as well or better than any truck of comparable size I've ever seen."

Johnston said the Toro-Flow's required less shifting on hills and handled well in traffic even when they were fully loaded. "As a matter of fact," Johnston said,



"if our drivers had their choice of which truck they could drive, they'd all want one of the Toro-Flows. We've had nothing but good reports from them on handling, power, comfort and performance."

Low maintenance.

Maintenance costs were another factor which excited Johnston. "What we've spent on these three trucks in those 240,000 miles," he declared, "isn't even worth talking about. Only routine things like lubes, oil changes and some minor repairs. Can't say that for some of our gas-powered trucks."

Johnston also pointed out that the Toro-Flows were "probably one of the most durable engines built." He cited one history for illustration.

Oil use tells story.

"We change oil on the average of every 3,000 miles. This one Toro-Flow has never used more than one quart between changes. Now oil, of course, is no major cost factor, but it sure shows how well these diesels are put together."

Johnston summarized his opinion of Toro-Flow this way. "We're in a service business. Which means getting those

papers to their destination on time. We must have dependability at all costs. But when you run across a truck as economical and dependable as Toro-Flow... well, needless to say, we're extremely pleased."

Toro-Flow Can Cut Your Costs.

Why don't you put Toro-Flow to the test, too. Long hauls or short hauls, no stops or a lot of stops, Toro-Flow can meet your needs and save you money to boot. Contact the GMC Truck Man in your area. He can give you an estimate of just how much you'll save with a GMC Toro-Flow. Do it now while it's on your mind.





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Many a man plans generously for his heirs, but fails to take two things into account:

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WASHINGTON: A LOOK AHEAD

Bad year for Lyndon?

Don't bet the family jewels on it, but that's the feel in Washington as 1966 arrives.

Take a look around.

Lots of things simply aren't going Mr. Johnson's way. They could build up to a major test of his presidency. Great politicians, like great fighters, score best when they're on the offensive. And many situations today force LBJ to react instead of act:

Viet Nam. We're committed and we're winning battles. That's good for the President. But the fight is expensive. It's diverting resources, best government thinking and the country's attention from Mr. Johnson's pet domestic programs.

"There's no getting around it. Viet Nam spending will force a cutback in the rest of the Administration's plans," forecasts one of Mr. Johnson's friends in the Senate.

Inflation. It's got the White House on the defensive. Steady upcreep of prices, shoved by rising labor costs, won't go away simply by berating bankers, steel, aluminum makers. President will have to work harder for his valued consensus with business.

But Administration will accept inflation rather than risk nipping the boom. When's the last time you can remember the voters turning out a regime because of inflation as contrasted with recession?

Great Society. The paint is coming off its slick spending schemes. Watch for results of a probe of poverty programs by congressional Appropriations Committees. Educators complain too many bureaucrats tell them what to do. Businessmen, economists cross fingers that this month's social security tax boost won't dampen purchases by consumers.

LBJ's fellow Texan George Mahon, chairman of House Appropriations Committee, openly calls for spending hold-down. That gives an idea of magnitude of the President's task.

Politics. Law of averages alone is enough to give master politician Johnson the willies. The In party normally loses congressional seats in mid-term election—this November 8.

Some 62 Democrats in House got less than 55 per cent of the vote in 1964 despite the LBJ landslide. That means some could lose by a nose this time, just as they won by a nose last time.

The Johnson mystique. The President will have to repolish it. In politics as in poker, when you've got a hot hand, everything works. But things can go sour, too. His gall bladder operation emphasizes he's mortal. Repeat defeat of right-to-work repealer would do same. Top aides get harder to recruit.

Don't get this wrong. Washington is still LBJ's town. Read State of the Union message and budget for his work orders. But—

It looks rougher in 1966 for the President.

New tax study with wide-ranging significance is in the works.

Spurred by Vice President Humphrey, Administration will take an all-encompassing look at how Uncle Sam's web of taxes ties in with financial needs of cities.

"Money is 95 per cent of cities' problems," asserts one policymaker. That's top-level thinking. Administration mulls methods for cities to tap more of potential funds in urban areas. This raises all sorts of possibilities: New federal tax collections on behalf of cities? Federal undermining of state authority over its cities? Credit on federal tax returns for more local taxes paid? Handing back some revenue sources to cities and states?

A far-reaching policy decision this year may tell how far the U. S. will go toward helping feed the world's population.

Here are some facts that point up both the

enormity of the job and the fruitfulness of American farms:

If we were suddenly to double our farm production, we would raise the world supply of wheat nearly 15 per cent; potatoes close to six per cent; corn, one half; milk, 30 per cent; meat, one fourth.

Business counterattack shapes up against union potentates' maneuvers for more power.

You've heard talk, seen little action in past. Now buildup begins for federal law changes that would give management and workers more rights, union chiefs less domination of National Labor Relations Board. Top lawyers, trade associations are drawing up proposals they plan to present to Congress in January. A House labor subcommittee opens hearings then.

Number one target: The NLRB. Its rulings increasingly enlarge unions' power, submerge management's. Many businessmen call for turning over most of its authority to courts. Rising interest in Washington boosts chances of Michigan Representative Griffin's proposal for a 15 judge federal labor court.

Union demands face spotty going on Capitol Hill.

Here's an early status report:

Right-to-work repeal—Another major battle in which forces of AFL-CIO President George Meany will increase their arm-twisting in their attempt to offset support for present law from business, individual employees.

Minimum wage—Hottest fight will surround proposed extension of federal wage-fixing rules to more businesses, such as restaurants and hotels employing tipped workers, and even farmers. If there's a compromise on boosting the wage it will probably be at \$1.50, up two bits from today. Double time for overtime appears dead, at least for this Congress.

Federalization of state unemployment compensation plans—Big fight, if pushed. Employers are dead against. "We'd have to raise prices," forecasts president of a major retail chain to NATION'S BUSINESS. Scheme would raise taxes, encourage workers to stay off of the job instead

of find work, complain middle-roaders in Capitol.

For your thinking, NATION'S BUSINESS asked a high-level presidential adviser for his assessment of the biggest foreign policy job facing the country in the next five years.

"Organizing Asia," he answered immediately.

In diplomatic talk, that means getting Asian people working together on common projects so they will repulse communists. So look for more money and attention to be invested in the new Asian Development Bank organized by U. S. And be prepared for even greater attention to Asia in men and dollars after the Viet Nam war ends or stalemates.

You'll want to watch what Congress does on some measures that could sneak up on you.

A set of rules for refereeing taxation of interstate commerce by states and local governments for one. Top interest for both big and little firms. Some state officials fight it. Representative Willis of Louisiana, the chief sponsor, hopes for passage this year but may be disappointed.

A move to set federal tire safety limits is brewing. Could build up. There'll be debate over a proposal to study conversion of U. S. measurements to the metric system.

Some spending showdowns: Funds for federal rent subsidies and a teacher corps, money for both rejected by Congress last year; extension of the Alliance for Progress with aid to Latin America; a scheme to expand farm giveaways abroad. And, inflation-watchers take note, likely another pay raise for government workers on the heels of a big one last year.

Signs-of-the-times department: When a fire in 1836 destroyed the Patent Office and all records of the 10,000-plus patents issued to that time, Congress appropriated \$100,000 to replace as many documents as possible. A similar fire today would destroy records for about 3.5 million patents.

That's from the newest booklet, "Patents: Spur to American Progress," in the U. S. Commerce Department's Economic ABC series.



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Business opinion:

No gray flannel minds

To the Editor:

Nearly three out of five of today's college students will find themselves earning their living in the business world. Yet an alarmingly high percentage of them distrust business and businessmen, convinced that employment in business is a last resort for a career.

Antibusiness opinion among some college faculty members accounts in part for this attitude. But businessmen must accept part of the blame for this situation as well. We can't discharge our educational responsibilities simply by supplying money for college-level education.

We will have to start putting our minds where our money is, if we are to change this attitude.

Our society is not threatened by "the man in the gray flannel suit." It is threatened by "the man with the gray flannel mind"—the man who knows method but not meaning; technique, but not principle.

The future of our free enterprise system—on which the future of our nation itself depends—lies with the generations of business leaders who will come out of America's colleges and universities.

Industry can and does train its employees; business is currently spending \$4.5 billion a year in the training and development of its employees, but it looks to the colleges and universities to educate its graduates before they attempt the business of earning a living.

There is a vast difference between education and training, and our college administrators must face up to this difference. Education is the attainment of knowledge with understanding—a preparation for living and for leadership. Training is the development of skills for making a living. Training without education does not produce leaders or leadership.

I suggest that we businessmen should start helping our colleges and universities to improve the semidrought in business education in three ways:

1. In addition to helping our col-

leges meet their financial budgets, we should also help them in establishing their curricula and staffing their faculties.

2. We should help our colleges and universities correct, wherever it exists, the belief that the teaching of the mechanics of business is the equivalent of educating business students for business leadership.

3. We should help correct the attitude of many college teachers who either have a basic attitude that is prejudicial to business, or a thorough misunderstanding of business and of its many and interrelated objectives.

But let us not rush in with zeal to "reform." Let us try to "transform" the great intellectual potential in our colleges into a mighty moving force for fully educated students—that is, students who know the economic as well as the cultural and political principles of freedom.

If our college students are truly and totally educated to meet the challenges of their responsibilities, our business leadership will not falter; it will be even stronger than today and it will be free from the danger of too many "gray flannel minds."

ELLISON L. HAZARD
President
Continental Can Co., Inc.
New York, N. Y.

Secretary Connor's Job

To the Editor:

Your article on the Hon. John T. Connor and the Department of Commerce [November] was as interesting to me for what it did not say as what it did.

It seemed to me most significant that your article did not even mention the Maritime Administration as an area of responsibility of the Secretary of Commerce. There are times when I wonder if he is aware of it either!

In 1961, a reorganization plan placed the Maritime Administration within the Department of Commerce. Since then, the maritime industry has been subjected to vacillation and indecision on the part of

Our roomier Rambler Classic '66 won't cramp your man, or his gear, or your budget.

More room where you need it most. More head room for the driver, more room to stow bulky paraphernalia. In the wagon, for example, we've lengthened the load floor three inches and made the tailgate wider. Up front, our 232-cubic-incher with seven main bearings and eight counterweights is about the smoothest, quietest Six ever. But don't let the dignity fool you. It packs more horsepower than the standard Six on Belvedere, Chevelle, Coronet and Fairlane! Need even more vinegar? Then choose one of our three spicy V-8's.

As for comfort, seats are full coil-spring construction, just like in the most expensive Cadillacs. Our exclusive acoustical ceiling hushes up to 30% of road noise. With all of our '66 Classic's new conveniences, you might forget all about the traditional Rambler virtues. But we haven't. With our Double-Safety brakes and Ceramic-Armored exhaust system, it's still the most practical fleet car going. See your American Motors/Rambler dealer or write Fleet Sales, American Motors Corporation, Detroit, Michigan 48232.

1966 Rambler Classic 770 Station Wagon



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1966 STOWAWAY (3 hp) — the new folding motor in a case — for the man who has never had a place to keep a motor before.



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1966 FISHERMAN (6 hp) — the smallest Evinrude made with full gearshift and full motor quieting, and all of the big-motor features.



1966 SPORTWIN (9 1/2 hp) — the sporty little shorly — most popular fishing motor made — now even smoother and quieter and more reliable.

Fishermen aren't alike. Neither are fishing techniques. Why should fishing motors be?

That's why the fishermen who design and build Evinrude motors build all kinds of fishing motors — long motors, short motors, folding motors, weedless motors, motors with gearshift and separate tanks, and without.

Four of the most popular 1966 "take along" Evinrudes are shown here. All are light and compact, smooth and whisper-quiet "twins." All are "one-pull" starters and steady mile-an-hour trollers. All are built for round-trip reliability.

All are made by fishermen — for fishermen.

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Business opinion:

the Maritime Administration. While the Secretary continues to reiterate the hope of correcting the balance of payments problem, the Maritime Administrator, a subordinate of the Secretary, now proposes the concept of building this nation's ships abroad!

Yet, we do have a maritime policy today. It is spelled out in the Merchant Marine Act of 1936. For four years, however, this policy notwithstanding its legal effects has been effectively frustrated. Too long has the maritime industry been used as a ploy for the inexperienced and uninformed. Too long has the industry been subjected to indecisive action and buffeted on public forums.

REP. WILLIAM S. MAILLIARD
Sixth District California
San Francisco, Calif.

For sales

To the Editor:

The December 1965 issue of your excellent magazine contained so many timely and informative articles that management expressed the desire that a copy be made available to each of our sales personnel.

L. P. GUICE
Manager, Sales Promotion
Phillips Petroleum Co.
Denver, Colo.

Value the hard way

To the Editor:

"Lessons of Leadership: Part VI: Building from Scratch," [November] is one of the finest articles I have read in the past decade. I feel it is high time we recognize the man who came up the difficult way. This will help again to prove to our young people the value of our great free enterprise system.

ROBERT H. KEEN
Queen Dairy Company
Lancaster, Pa.

Reading for labor too

To the Editor:

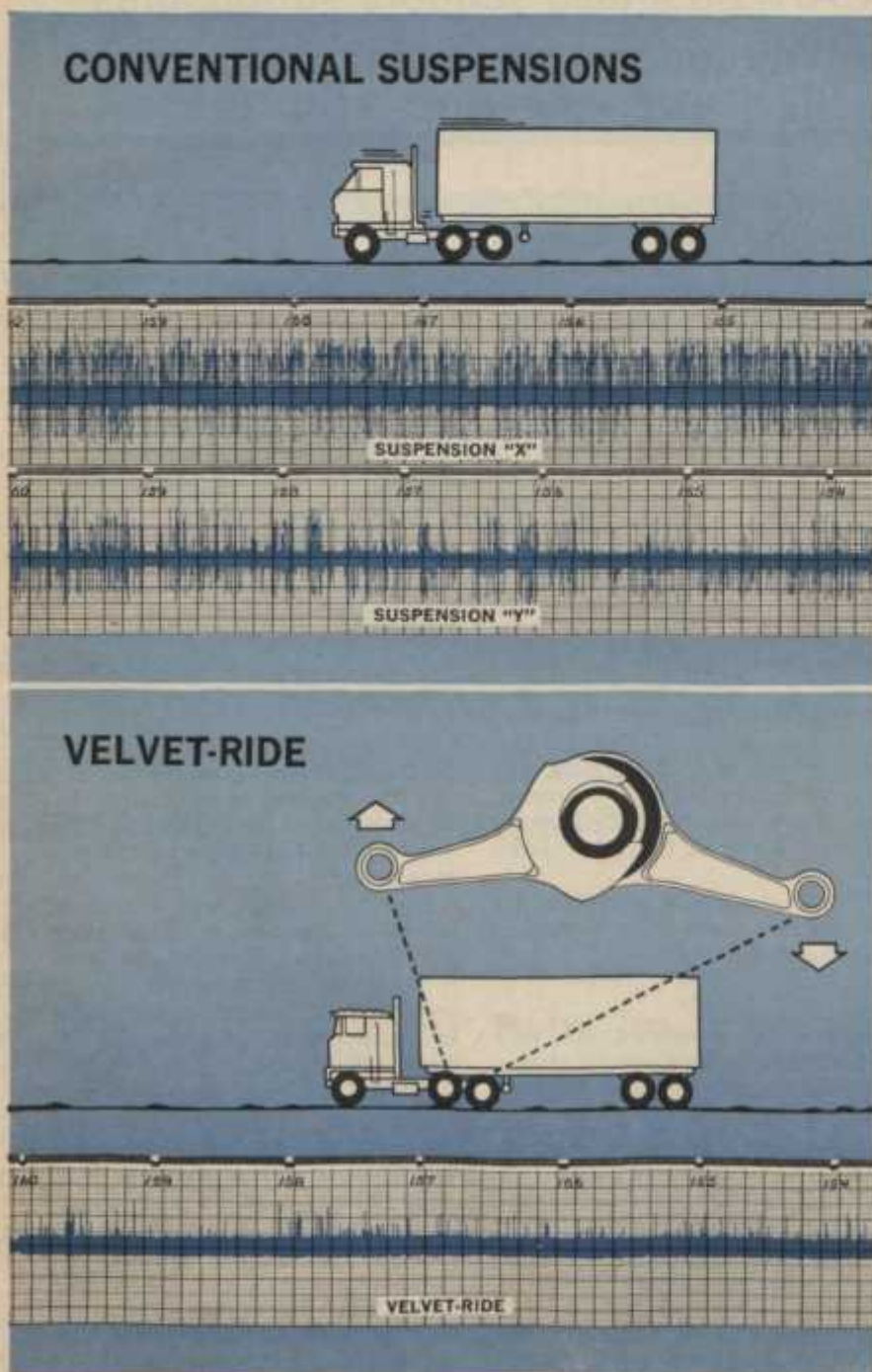
"Eisenhower on the Choice Americans Must Make" and "Why a City Turned Down Federal Dollars" are fine examples of true American opinion.

I hope our country's managers and labor force take this opportunity to read and understand the basic concepts of constitutional freedom.

PETER W. RIOLA
Chief Clerk
Northern Pacific Railway
New York, N.Y.

In-transit cargo damage threat cut 60% to 90% with White Trucks' Velvet-Ride*

Tests on the Ohio Turnpike of White® Trucks' new Velvet-Ride suspension demonstrate dramatic reduction in road shock and vibration.



Big potential savings in cargo damage and in equipment maintenance were recently indicated in road tests which compared Velvet-Ride with conventional suspensions.

Identical tractor-trailers, each equipped with a different suspension, were operated under full-load turnpike conditions. Shock and vibration within the cargo area of each rig were measured with an oscillograph in the forward area of the trailer.

Result: at 50 mph, cargo in the unit with Velvet-Ride received 60% fewer shocks of more than one "G" force than the unit with Suspension "X". 90% fewer than the unit with Suspension "Y".

Velvet-Ride is the only rubber-torsion suspension system with independent arms. Shocks at either axle are isolated and returned to the road before they can reach the chassis. The smooth ride benefit to cargo also results in lower maintenance costs for equipment and less fatigue for the driver.

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**DISCOVER WHAT'S NEW
IN NEW YORK STATE**



Executive Trends

- How '66 will affect your job
- Are business schools antibusiness?
- Why federal retraining costs more

Will 1966 be the "year of the hedge"?

Consultant Robert E. Sibson says it will—judging from current thinking in his client companies.

"We've reached a management pause in the boom," he declares, "and you will see more signs of what one might call hedging. Companies will continue to grow, to spend more for salaries and bonuses, to hire more people, to promote executives and to move personnel around—but each of these things will be done more selectively than in the past year or so."

Mr. Sibson emphasizes that what he anticipates is not a slump in over-all business performance, but a natural "digestion" of the fast-paced growth of the past 59 months.

"In any period of rapid expansion," he continues, "it is axiomatic that companies will be concerned first about quantity, then about quality. We're at the latter point now."

"Firms are taking a look to see how they've spent their employee-relations dollar."

Prospects are promising this year for businessmen interested in changing jobs, reports Gardner W. Heidrick, president of the Association of Executive Recruiting Consultants.

But the outlook is not as glowing as it was in 1965, according to Mr. Heidrick. He points out that 1965 set an all-time high for executive demand.

He predicts that engineers and scientists, in particular, will remain in strong demand. Demand also will

run high for senior financial executives.

There is little, if any, antibusiness bias in the nation's business schools. Negative attitudes toward business are prevalent in other departments of many colleges and universities.

That summarizes the views of 16 leading business school deans who responded to a NATION'S BUSINESS survey on the occasion of this year's fiftieth anniversary of The American Association of Collegiate Schools of Business.

A typical comment from Kermit O. Hanson, dean of the College of Business Administration, University of Washington:

"Some antibusiness bias undoubtedly exists in universities, but this bias appears to be waning. Individuals who exhibit bias usually have limited knowledge of business enterprise."

Ross M. Trump, dean, Graduate School of Business Administration at Washington University, St. Louis, believes an antibusiness bias is present to a "considerable" extent in nonbusiness departments of many universities.

Among the chief causes of this, he says, is "a tendency to regard the misdeeds of a few businessmen as typical of all businessmen."

An entirely different view is held by Dean Willis J. Winn of the Wharton School, Philadelphia. "Faculties are not seething beds of radicalism," he argues. "Because they insist on the right to examine and question fundamentals doesn't mean they are undermining foun-



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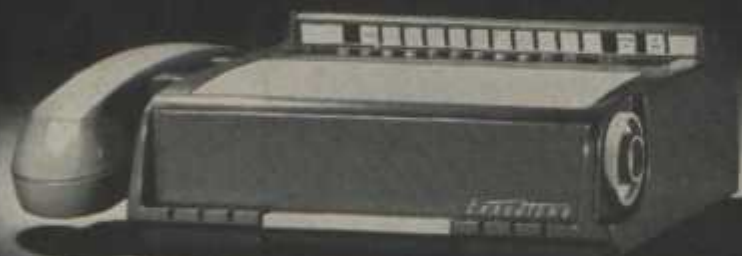
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EXECUTIVE TRENDS

continued

dations—they are strengthening them."

• • •

Tax dollars you pay involuntarily to subsidize federal worker-retraining programs are a poor investment compared to results that private retraining dollars will buy.

That's the opinion of V. Donald Schoeller, president of the Foundation for Re-employment, a non-profit organization financed by industry. The Foundation trains laid-off workers in job-finding techniques.

Mr. Schoeller contends that federal programs usually take a year or longer and cost more than \$3,000 per worker, on the average, while some private retraining programs cost much less and produce a higher rate of re-employment in a fraction of that time.

The Singer Co. enlisted the Foundation's service when it closed its Bridgeport, Conn., plant. Some 400 workers were readied for reemployment; 73 per cent found new positions in less than three months.

• • •

If you are planning a merger, don't fail to take the psychological implications of your decision into account.

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Says one president: "We didn't realize how many psychological adjustments would have to be made down the line."

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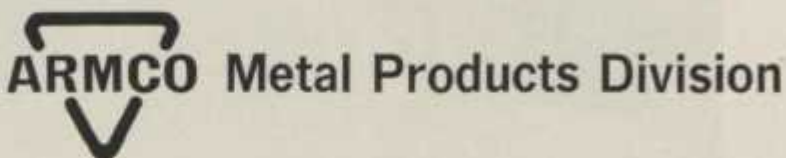
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EXECUTIVE TRENDS

continued

not lose time away from the job. Not if they follow a few simple steps, says Dr. Katharine H. Hain, director of medical services for Schering Corp. You should tell your employees:

1. If you have a cold, get extra sleep during the seven to 10 days in which a cold normally runs its course. This will help keep your stamina up.
2. While working, avoid close contact with others.
3. Take a cold preparation that relieves your symptoms and helps prevent complications.
4. Stay alert to symptoms that could mean your common cold is developing into something more serious. If such symptoms appear, you should, of course, leave the job and see your doctor.

• • •

Here's a New Year's resolution that makes good business sense:

Tighten your defenses against passers of bad checks.

A new study by the Chase Manhattan Bank shows that merchants alone are losing some \$60 million a year to professional and amateur hot-check artists. The major reason for the rising losses, the bank finds, is the failure to take proper precautionary measures.

Don't be afraid to question the check-writer.

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While holding the identification signature out of sight, ask the person to endorse the back of the check.

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• • •

Executive intelligence: Placement officer at UCLA reports employers are much less awed today by a Ph.D. than they were a while back; today's doctoral degree holder must be able to prove "exceptional ability." . . . A sales idea you can adapt? Physicians in six cities now can dial a phone number and get a 12-minute taped program on recent medical developments. . . . New study shows that beverage producers and manufacturers will spend more than \$40 million this year to locate and train new salesmen, exclusive of salaries.

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New Congress will see if it reaped a whirlwind

BY PETER LISAGOR

Congress has come a long way since Mark Twain panicked his audience with the observation that "It could probably be shown by facts and figures that there is no distinctly native American criminal class except Congress."

But it wasn't too long ago that the national legislature was thought to be moving barefoot on a track made of glue and glass fragments. Each step forward was slower and more tortured than the last. Talk of the need for congressional reform was loud and continuous.

• • •

The 1964 national elections, in which the Democrats rolled up lopsided majorities in both the House and Senate, changed some assessments of Congress as a lethargic, archaic institution. The Eighty-ninth Congress began to pass the old measures and new ones. President Johnson got so many of his bills through that the cry of "rubber stamp" was inevitably raised.

Other voices were equally convinced that Congress finally had caught up with the American public's desires, and pointed to the fact that many Democratic freshmen in the House, who must take their records to the people in November of this year, enthusiastically supported the bulk of the Administration's program. Obviously, the argument went, they weren't bent on political suicide.

In any event, the 1966 congressional races ought to provide clues to whether the public approves or not. It may not be clear-cut, of course, for many factors determine the outcome of an election, and not the least important this year will be the war in Viet Nam.

Measured in statistical terms, the record of the Eighty-ninth Congress thus far is a formidable one. It is not yet complete, however, and its over-all quality must still be assayed.

Some of this process will take place in the current second session, when the Congress engages in what is

called legislative oversight. The act of legislative oversight is ideally one in which the Congress detaches itself from executive influence and takes an independent, judicious, prudent look at what it has wrought. The appropriate committees will look to see if haste made waste. They also will search for defects in the basic law, for the unrevealed bugs. In this process, the Democrats can assert their independence while proclaiming their loyalty to the team. The Republicans can be statesmen up to the point where they see political profit in disclosure and dissent, for they need all the ammunition they can



Congressional leaders and oldtimers who really hold the power can tie legislative loose ends before election.

accumulate if they are to make progress on the road back to a rough parity in the Congress.

A Senate fixture has removed itself in Harry F. Byrd, the veteran Virginian who resigned after making a career of opposing unbalanced budgets, the rise in federal spending and the growth of the central bureaucracy. To many congressional observers, Senator Byrd's departure symbolizes the decline of the conservative Southern Democratic chairmen of important standing committees. Senator Byrd was the overlord of the Finance Committee for years, but by

Mr. Lisagor is the White House correspondent for the Chicago Daily News.

TRENDS: WASHINGTON MOOD

the time he retired, his influence had dwindled to a point that probably hastened his decision. The Finance Committee is now so factionalized, with so many diverse viewpoints, that Senator Byrd's replacement as chairman, Sen. Russell B. Long of Louisiana, is expected to have his problems rallying a majority behind those programs that interest him. Senator Long would like to simplify taxpaying methods as an early order of business.

The power in any Congress resides in the Appropriations Committees, and the Eighty-ninth Congress hasn't changed much here. A government official once remarked that you can tell who has the greatest power on Capitol Hill by observing the number of federal installations in certain states. Georgia and Texas must rate near the top of the list, reflecting the fact that their congressmen hold key posts not only on the Appropriations Committees but also on the Armed Services Committees.

It has been said that a man can walk through Georgia from the South Carolina border on the north to the Florida border on the south and never be more than five miles away from a federal installation. For years, the retired Rep. Carl Vinson of Georgia headed the House Armed Services Committee, while Sen. Richard B. Russell, also of Georgia and still going strong, headed the Armed Services Committee of the upper house and was ranking Democrat on the Appropriations Committee. Rare is the executive branch bureaucrat who would try to buck the wishes of men with a strong voice about where the money goes.

A senator or congressman might get greater public attention on other committees, which hold more open and sometimes more flamboyant hearings. And it is true that many legislators, especially those with wider ambitions, prefer publicity to power. But those who look to Congress as a career struggle to get on the Appropriations Committees, where they can, with a gift for swapping favors and staying out of mischief, keep their district in federal goodies and hopefully assure themselves of long and steady public service.

Some authorities on the role of Congress have lamented in recent times the disappearance of the Great Debate as an instrument of policy-making. In the area of foreign affairs, the Senate Foreign Relations Committee has fallen into a low estate, and the issues of war and peace are not properly aired, elucidated or challenged, according to these authorities. Chairman J. William Fulbright of Arkansas has been a dissenter to Johnson Administration actions in the Dominican Republic and in Viet Nam. Unable to muster more than spasmodic support on his own committee, he has had to play a lone hand.

In the aftermath of World War II, the Senate was the scene of dramatic arguments about U. S. policy in Europe. Some observers attribute this to the fact that the country was in the midst of changing its traditional course; isolationism was wholly interred, and the swing toward internationalism had begun. This

was vividly manifest in the person of the late Sen. Arthur Vandenberg, Michigan Republican, whose outlook had been narrowly nationalistic.

Senator Vandenberg experienced a change of heart, however, and eloquently joined the issue in favor of the Marshall Plan for rehabilitating the devastated countries in Europe. Later, he supported the revolutionary change in American traditions, the creation of the North Atlantic Treaty Organization in which the U. S. would consider an attack upon one of its allies as an attack upon this country.

"It was natural and right that these matters be debated," a congressional expert recently noted. "Not only were we changing direction in the world, but we were about to pick up the tab. The American people demanded to be heard—and they were, through the Vandenberg and the Tafts, through the pros and the cons."

The nation does appear to have reached a consensus on foreign issues. For this reason, many claim there are no questions to be thrashed out in widely publicized debates. "The last big debate or argument in the Senate," a senator's aide recalls, "was about financing the United Nation's peacekeeping operations. It was a detail, really, not a great new departure."

Yet, others contend the Senate has an obligation to probe into East-West relations, the state of the Western alliance, U. S. policy toward Asia, defense and disarmament questions that hang heavy over Washington and the rest of the world. If prolonged inquiry into these matters should develop, it is unlikely to find a home in the Senate Foreign Relations Committee. Individual senators will have to carry the ball on the Senate floor in unplanned, informal and diffuse debate.

Although a number of ambitious and articulate young senators have taken their place in the upper chamber, seniority still rules. Such newcomers as Maryland's Joseph Tydings, Indiana's Birch Bayh, Minnesota's Walter Mondale, and the Kennedy brothers, New York's Robert F. and Massachusetts' Edward M., may command attention but they have yet to get their hands on the real levers of power within the Democratic structure. The names that matter are the old names, Russell, Robertson, McClellan, Magnuson, Monroney, Pastore, McNamara, Mansfield, Hill, Ellender, Douglas, Symington, Jackson, to mention only a few who chair committees or have a hand in the appropriations process. It's the same on the minority side, where the G.O.P. names are the familiar ones, Aiken, Saltonstall, Mundt, Smith, Williams, Hickenlooper, Kuchel and, of course, Everett McKinley Dirksen.

Before the Eighty-ninth Congress gets its final marks from the voters next November, it has an opportunity to tidy up loose ends, declare its independence from the pervasive influence of the White House and, in the oversight process, take a second look at whether, in political terms, it has reaped a harvest or a whirlwind.

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Sloppy elections do not a Great Society make

BY FELIX MORLEY

Only a small amount of social legislation is anticipated during the session of Congress now about to convene. From the Administration's viewpoint the first necessity is to get some semblance of order into the mass of projects approved by the first session of the Eighty-ninth Congress. There is confusion to spare without piling ever more governmental undertakings on top of those which so obviously are not yet operating smoothly.

Spokesmen of the Great Society, from President Johnson down, admit the desirability of a legislative slowdown. And any consequent congressional leisure will be the more useful because of the electoral reform which the President is expected to push. This will involve the most important Constitutional Amendment to be urged upon the Congress for many years. Strange as it seems, many Americans have little understanding of how their President is elected. If the method is to be changed, thorough and well publicized analysis of the problem at the Capitol is a first prerequisite.

• • •

That the Electoral College system badly needs reform, and the sooner the better, is a steadily growing conviction. Few think it good that a candidate receiving a majority of the popular vote may be defeated. And the possibility that an election might bring no decision at all is even worse. While both contingencies are improbable, they have happened and could occur again.

Other anomalies, like that of the maverick elector, abound. In the 1960 election Sen. Harry F. Byrd, though not a candidate, received 15 of the all-important electoral votes, from three different States. The Virginia patriarch would undoubtedly have made an excellent Chief Executive. That does not alter the fact that a man who was not a nominee, whose name was not on the ballot in any State, could neverthe-

less be given almost three per cent of the vote by which a President is actually chosen.

Anachronisms of this character have led the Chamber of Commerce of the United States to conduct a referendum, now being taken, on revision of our inherited presidential election procedures. Such formulation of public opinion is the more desirable since the Supreme Court laid down "one man, one vote" as the guideline in local elections. For it is certainly ironic to establish this principle for the election of a State assemblyman while it is being denied in the choice of a President of the United States.

But it is much easier to find deficiencies in the present electoral system than to secure agreement on remedial action. Therefore many who see the defects in existing arrangements still feel they should be maintained. Like Hamlet they would "rather bear those ills we have than fly to others that we know not of." This uncertainty of itself emphasizes the desirability of clarification, as given in the well balanced pros and cons set forth at length in the Chamber referendum.

Regardless of this poll, however, an Amendment to abolish the Electoral College will be pushed in the forthcoming session of Congress. A year ago President Johnson advocated elimination of the electors but retention of the State-based electoral vote, which for each State is equal to its total congressional representation in both House and Senate. It is expected that the President will now more strongly urge this course, whereby the problem of the maverick elector would be solved and the entire electoral vote of every State cast solidly for the party nominee.

A strong objection here is the undemocratic nature of this unit vote arrangement. It means that a candidate with a mere plurality of votes in a particular State would always receive the entire electoral vote of that State. Thus, in 1960, Nixon carried 52 of Pennsylvania's 67 counties, but Kennedy's capture of Philadelphia and Pittsburgh gave him a statewide vote of 2,556,282 as against 2,439,956 for the Republican nominee. On this narrow margin, even smaller be-

Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.

cause of votes cast for minor candidates, the Democratic candidate received all of Pennsylvania's then 32 electoral votes.

The effect is to gerrymander an entire State, instead of a single Congressional District. And if the gerrymander is objectionable in the latter, it is surely more so when applied on state-wide basis.

To lock this "winner-take-all" technique into the Constitution would directly flout the "one man, one vote" principle espoused by the Supreme Court. But two very practical political advantages give muscle to President Johnson's plan.

By ending the possibility of offbeat electoral votes one or the other major candidate would always carry each State entirely, which is the prospect emphasized in efforts to secure substantial campaign contributions. Furthermore, this unit vote gives great leverage to the big city political organizations, which by swinging a few thousand well disciplined voters can expect to "deliver" the entire electoral vote of the State. By the same token the winner-takes-all procedure inevitably promotes fraud and corruption. Moreover, this system permits election of a President by a minority of the popular vote.

• • •

Consequently, Congress has heretofore shown more sympathy for two other, sharply contrasting proposals, for both of which the Chamber of Commerce referendum urges careful consideration.

One of these alternatives would elect the President



It is not actually the total number of popular votes that decides the winner in U.S. presidential races.

by direct, nationwide popular vote, eliminating not only the electors as individuals but also the electoral vote as such. The candidate with the largest number of popular votes from the nation as a whole would win. It is as simple as that.

But this apparent simplicity is highly deceptive, in the opinion of most who have studied the subject closely. They assert that a Constitutional Amendment establishing a national plebiscite system would never secure the necessary ratifications by three fourths of the States, even if the requisite two thirds

majorities in both Houses of Congress were obtained.

The reason is that nearly all the States would lose both power and political prestige if the President were elected by direct popular vote. There would no longer be any particular advantage in organizing a populous State while the small States would lose what they now gain from having a minimum of three electoral votes, regardless of population. Vermont, as an illustration, would have its present influence in a presidential election cut by more than half. Indeed it is difficult even to visualize a nominating convention without the State delegations and banners which would be ridiculous under a plebiscite system.

Our party organization has been built, and operates, on a strictly statewide basis. To nationalize this, for the most important election of all, would be to weaken, if not destroy, all local political organization. The consequences, it is argued, could be disastrous for local self-government.

The attack on the national plebiscite idea is carried further as being injurious to the basic principles of federalism.

For this reason direct popular election of the President was rejected, after due consideration, by the Founding Fathers. What they established was a President of the United States and not a President of the American People as one general amalgam. Therefore the choice should continue to be made through the agency of separate State elections, held simultaneously for reasons of convenience.

• • •

The remaining alternative is the so-called district method, under which the present electoral vote would go as the congressional districts instead of by the unit rule. With this arrangement only the two electoral votes corresponding to a State's two senators would be tied to the statewide vote. The result would be a much closer correspondence between the popular and the electoral vote; and with the elimination of individual electors, if so desired, there would be no maverick problem.

Some, at least, of the Founding Fathers anticipated that the electoral system would work out in this manner, but because of their solicitude for state's rights it was never prescribed. Since it does less violence to the Constitution than any other, it has strong congressional support and, probably, better chance of ratification than the other pending schemes. A chief criticism has been that the district method would favor the influence of overrepresented rural areas at the expense of the big cities, which currently have the advantage in presidential elections. But recent mandatory redistricting, in accordance with population changes, has done much to undermine this objection.

The complexity of electoral reform is shown by even this summary review. More study by responsible citizen groups, to clarify the tangled issues involved, is needed. But, above all, the problem demands the close consideration of the Congress. A Great Society is not to be expected as long as the rules for electing its Chief Executive are as illogical and haphazard as, over the years, they have become in the United States.

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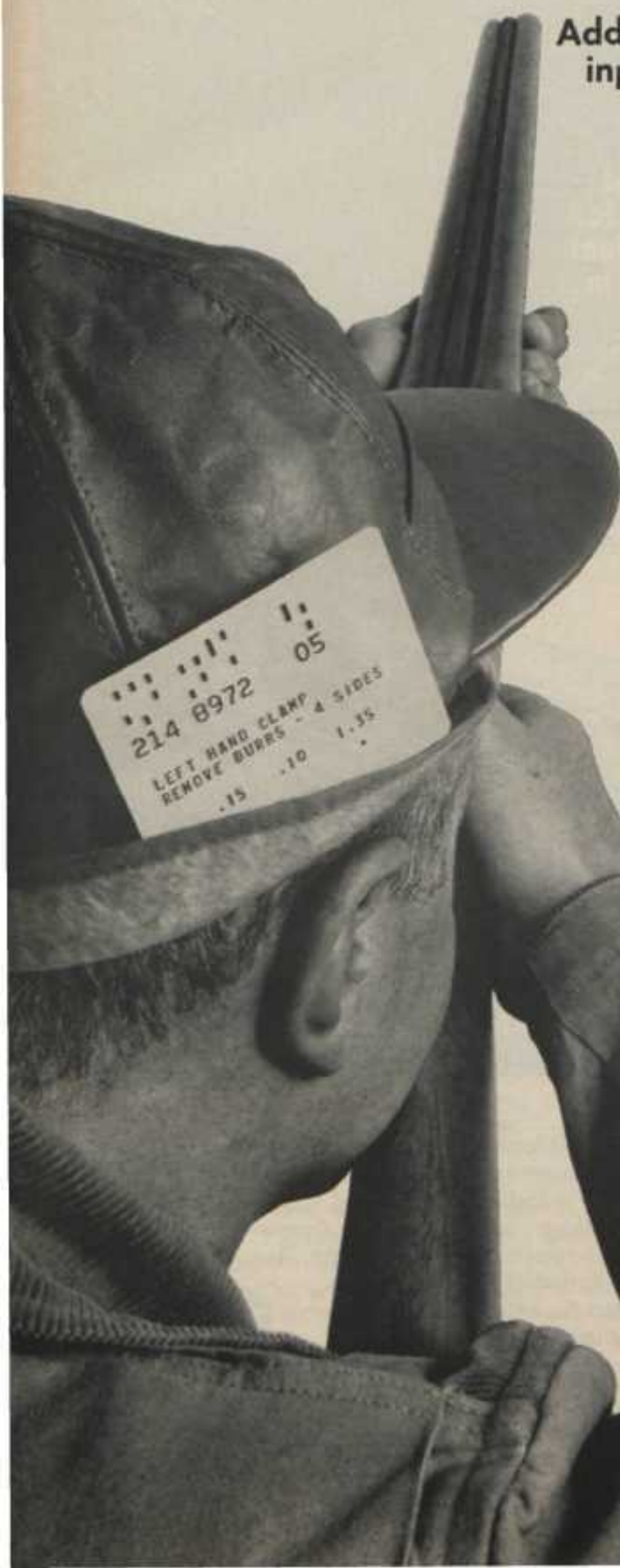
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People speak softly when government carries big stick

BY ALDEN H. SYPHER

Government by fear is causing bands of silence to fall across the land of the Great Society.

Noise still rises from bearded builders of dissension, but in increasing numbers the more responsible, mature and highly qualified people are withdrawing from public discussion. They are finding that these are times to speak softly, or not at all.

The reticence is self-imposed. But reluctance to speak out on public issues on the part of those who have something worth while to say is unfortunate, at the very least. Controversy is the method by which a self-governing society finds and solves its problems. To the extent it is limited, freedom also is limited. Without it the people are denied the judgments they need to arrive at well-founded opinion.

It is not good, but in the present circumstances, the rising reticence is understandable.

"Don't quote me" is heard with increasing frequency by reporters, editors, researchers. It comes from business executives and professional people. It comes when they are asked, as authorities in their various specialties, their reactions to acts or proposals of the federal government that would affect their business or profession.

"Please don't ask me to stick my neck out," a railroad president replied to an editor's question.

"We have a continuing relationship with him," a steel executive told another in response to an inquiry concerning his experience in dealing with a Cabinet member. "So don't quote us."

A vocational school director, operating on federal funds, had only this to say: "Goodbye. I hope you turn in a good report on us in Washington."

Note these two sentences from the front page of a recent issue of *The Wall Street Journal*:

"A nationwide survey showed that few executives were sympathetic to the White House action. Far more numerous were the defense contractors and other businessmen who didn't want to comment, even

Mr. Sypher, a life-long journalist, is the retired editor and publisher of NATION'S BUSINESS.



The nation's stockpiles of strategic materials are but one of the big sticks available for quieting opposition.

anonymously, because of the political considerations involved, or reluctance to criticize presidential policies."

• • •

This inclination toward silence is restricting the exchange of ideas that could result in honest consensus. It is the product of fear: the fear of a vastly increased central authority with tremendous power and little restraint in its use.

The fear of farmers whose livelihood is largely controlled in Washington and whose product prices have been affected by stockpile manipulations.

Of businessmen who have seen controls become effective not by law, nor uniform pattern, but by unbearable pressure of central power and authority.

Of educators who have seen sudden withdrawal of federal funds for failure to conform—and just as sudden replacement of the funds through intervention not by educators, but by political figures.

Of city leaders who see in the antipoverty war new political alignments that may be directed or at least greatly influenced by Washington.

Of little people who rest uneasily under the

TRENDS: RIGHT OR WRONG

benevolence of a power they have seen unleashed, over which they have no control.

"Don't quote me" arises from the fear of a power whose potential is beyond estimate, a power that will grow as the central authority reaches farther into the lives of men, women and children through the spread of the Great Society. It has many forms.

Overhanging today's markets are 64 materials, in addition to copper and aluminum, stockpiled in excess of strategic requirements, as these were assessed late last year.

Another tremendous area of influence, feared whether it is open or just suspected, is in Defense Department procurement. Twenty-one thousand contractors are at work on government orders of \$10,000 or more. The current value of all contracts under defense jurisdiction is just under \$28 billion.

Directly involved are the jobs of more than 10 million men and women. To these may be added the employees of subcontractors, who outnumber the prime by nearly three to one.

On these employers new pressures are being added to the old. Read this sentence from a workshop report from a White House Conference on Equal Employment Opportunity:

"Under the contract review procedure, conciliation and mediation are used to induce government contractors to eliminate discrimination with the persuasive factor being the possible loss of contract."

There are no good arguments against the withdrawal of a government contract from a businessman who declines to operate within the law. But that isn't quite the case here.

Conciliation and mediation are matters of judgment—as whether or not a price change is justified and reasonable, or inflationary. So the businessman seems to have a clear-cut choice of agreeing with the federal representative's judgment, or losing the contract.

• • •

There can be no reasonable doubt that the broad economic objectives of the Johnson Administration and nearly all other Americans are the same. Everyone wants a sound economy, steady growth and expanding opportunity. No one wants inflation much, or much inflation.

The differences arise in method and judgment.

Are price increases a cause of inflation, or a result of inflation? Qualified experts differ on the point. Their judgments vary. But the businessman may not act on a judgment that varies from the government's current conclusions, under threat of confrontation backed by a tremendous power of retaliation.

• • •

Even with the advantage of hindsight, economic judgments may vary. The steel price rollback of April, 1962, may have been wholly successful in the view of the federal government.

But the rollback in stock investment value was great-

er by far than that of steel prices. U. S. Steel sold for a high of 78 in the quarter preceding confrontation. Since that event it has dipped to 38, and in recent months it has hovered around 50—at the bottom of the Dow-Jones industrials list which in average has skyrocketed to new highs more than 40 per cent above the first quarter 1962 level.

That's the evaluation of many thoughtful people of what happened to steel. It may be that what's bad for steel is bad for the country.

The backgrounds of steel, copper and aluminum are vastly different in many respects, and no parallel in performance is expected. But businessmen will have a strong tendency to believe that aluminum could have done better guided by judgment of management instead of pressure by government.

The federal force used to compel withdrawal of a small price increase by the threat of dumping hundreds of thousands of tons of aluminum on the market shocked many businessmen. It came with lightning speed and twister power. But something else bothers businessmen and butchers, doctors and lawyers, farmers, bankers, educators, laborers and others even more.

That is the attitudes revealed in the process.

"I would like every single businessman who is now contemplating or who may be contemplating in the future an increase in price to stop, look and listen," said Treasury Secretary Henry H. Fowler.

Clearly, this is a warning to obey the crossing sign or take your chance of being mangled by the onrushing engine.

Gardner Ackley, chairman of the President's Council of Economic Advisers, pronounced the aluminum price increase "without justification under the wage-price guideposts and . . . therefore inflationary."

He was talking about a two per cent price rise, and measuring it against guidelines of government's own making.

Defense Secretary Robert S. McNamara said rather magnanimously that his fallen foes had, in falling, performed a patriotic act of industrial statesmanship. He added:

"As Secretary of Defense, I am the biggest buyer of aluminum. The department will buy between 300,000 and 400,000 tons of aluminum in 1966 which, I believe, is 10 or 15 per cent of the industry's production."

These hardly are the words of public servants in a self-governing society. They sound more like the declarations of Cold Warriors flushed with the excitement of battle, the thrill of victory.

Nowhere in them may be found the humility that might accompany the use of such awesome power to cause good men to back down from a stand they thought justified.

Nowhere in the record is any warning that war in Southeast Asia had brought changes in the rules, if not the laws. The Administration's pursuit of costly social experiment strongly suggested that business as usual was the order of the day.

Businessmen who have visited the White House under happier circumstances must be wondering whether they have been taking part in an exercise of politeness instead of a search for consensus.



Ray Fawcett, Vice President, Logan Metal Stampings, Inc., Akron, Ohio, has a simplified and inexpensive way to control scheduling procedures and job costs.

"A McBee '360' System enables our 100-man plant to bid successfully against giant competitors. By giving us the same controls. At far less cost."

"In a medium-sized metal stampings business like ours, you've got to know actual job costs—and the status of every job in the house—if you're going to make realistic bids for contracts. Otherwise, you're going to bid too high to compete with the giants—or too low to make a profit.

"And, unless you know the status of everything in the shop, you find yourself tearing down the tooling on a job not yet completed in order to make machine time available for a job which needs expediting. It's a big problem—and a costly one.

"We solved it with a McBee '360' System. Easy, inexpensive, and mechanical. It gives us the prompt, accurate controls over scheduling, labor and mate-

rial costs, work in process, and inventory that we need. When we need them. It's a system that anyone in our plant can understand. And anyone can operate it.

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"Or, to put it another way, it's the one paperwork system that has pointed the way to profitable operations."

Operators keep McBee '360' System Labor Tickets at their work stations, until the operation or shift has been completed, to enable management to accurately control every job in the shop.



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HOW TO SLICE A TRILLION DOLLAR PIE

U. S. decision-makers tell ways we could use the revenue produced from tomorrow's boom

America is roaring toward a trillion dollar economy.

Those who should know estimate that it will take only seven or eight years to reach this dizzy level in total output of goods and services. Such a pace would be half again higher than today's 1966 boom and twice the level of 1960.

For you as a businessman, an economy of this size would mean vast new opportunities.

However, the prospect of a trillion dollar economy raises a number of questions if these increasing incomes and profits are taxed at current progressive rates, or at even higher rates if taxes go up to help pay for the Viet Nam war. With the expectation that Viet Nam fighting will be ended before 1970, these questions must be answered:

- How much of the huge increase in federal tax revenues will be used for spending programs?
- How much will be returned to the public and the business community in tax cuts, or used to retire the growing public debt?
- Will the proposal by Dr. Walter W. Heller, former chairman of the Council of Economic Advisers, be resurrected—that block grants of federal revenues be made to the states with no strings attached?

The answers will involve political decisions as

well as economic realities. The men who will have the most to say about what happens have widely varying views.

NATION'S BUSINESS asked several of them how they foresee the prospects. Here are their answers:

White House adviser sees tax cuts, simplification possible

Gardner Ackley, chairman of the Council of Economic Advisers:

If growth trends in productivity and labor force continue into the early 1970's as we see them

PHOTO: WIDE WORLD



HOW TO SLICE A TRILLION DOLLAR PIE *continued*

in the latter half of this decade, a trillion dollar gross national product could be reached about 1973.

By the time we reach the trillion dollar economy, federal receipts should be somewhere between \$190 and \$200 billion under current tax laws, about \$70 billion above current revenue.

And by that time, normal annual growth in revenues will be more than \$10 billion a year. This enormous potential growth of our revenue system provides the opportunity both to reduce taxes and to enlarge those federal programs that are required to meet the needs of our society.

In the future, our growing needs for better education, better medical care and other investments in human resources or social capital may require additional federal outlays. Further tax reductions will also have to be seriously considered.

And when further major changes in tax laws are made, careful thought will also have to be given to tax reforms, both in personal and in corporate taxes. Equity and simplicity in the tax structure will be two major objectives in any reforms that might be proposed.

Treasury Secretary hopes to reduce federal debt and taxes

Secretary of the Treasury Henry H. Fowler:

Between now and the time we achieve a trillion dollar economy, I would expect a certain amount of this increased revenue to be used to reduce the public debt.

I would also expect a certain amount to be used for increasing federal spending as present necessary programs keep pace with an expanding population.

I would also expect increased federal spending to result from new national needs—both at home and abroad.

Finally, I would expect that some of the increased federal revenues would be used for tax reduction—both business and individual—in order to maintain the vitality of the private sector of the economy, which has been the key to our current expansion.

In determining what mix of spending, tax reduction and debt reduction to recommend, I would expect the government to continue to follow the flexible, pragmatic approach which has proved so effective in creating the longest economic expansion in peacetime history.

Exactly how these generalizations will be translated into specific recommendations to the Congress, and by the Congress into law, will depend upon up-to-date information on the behavior of the economy and our expectations for the immediate future.

Of one thing I am quite sure, that as we grow toward a trillion dollar economy, the lessons of moderation and flexibility which we have learned in recent years will prevent our economy from falling victim to any rigid theory or to any extreme viewpoint.

Vice President predicts more spending on human resources

Vice President Hubert H. Humphrey:

A trillion dollar gross national product would result from major transformations in the economy.

These changes inevitably will place great demands on our human resources.

The pressure of a growing population alone will generate demands for more teachers, physicians, dentists, technicians and highly skilled workers of all kinds. Rising incomes and the explosion of knowledge will intensify these demands.

We have, therefore, not only a responsibility but a great opportunity to create an environment in which human talent can be developed to the fullest.

Economically, we cannot afford to leave any part of our working population out of this progress. And our goals of equality and human dignity cannot be achieved if any part of our population fails to receive full opportunity both to contribute to and to share in our American society.

PHOTO: AP





PHOTO: AP

We have already begun in the past several years to step up rapidly our investments in human resources, but the billions in human investment as well as the billions in plant and equipment will only be available as a result of a continuing creative partnership between business and government.

Today government has faith in the private enterprise system—in the expansion of this system—in legitimate and reasonable profits, and in permitting the economy itself to take up its own slack by the use of fiscal and monetary tools. On the other hand, government, through the very use of fiscal and monetary policy, can help keep the economy both stable and expanding and can help create a favorable environment for private growth.

Appropriations chairman asks tighter rein on federal budget

Rep. George H. Mahon (D-Tex.), chairman of the House Appropriations Committee:

Some increase in federal spending is inevitable, because of the growth of the country and urgent national defense requirements, but it should be held to an absolute minimum. We should follow a strict set of rules with regard to the admission of additional nondefense expenditures into the national budget.

I am in favor of cutting taxes, but it is a question

of priorities—what order and in what ratio. As a general principle, I am in favor of placing primary reliance on the private sector to stimulate and develop the economy. Thus tax cuts may well be possible and advisable if government spending can be held in check. But the priority need is to bring spending within our income and to apply some of our growing revenues toward at least a beginning on retiring our public debt.

Somebody has to draw a line between what the country stands in need of and what it can afford.

We should make a sharper distinction between our wants and our needs than we have done in the last 15 or 20 years. We are too readily inclined to make yesterday's wants today's needs.

A great problem in government finance these days is that not enough of us lie awake nights worrying about the fact that we are spending beyond our income. In this respect we are not a well disciplined people. We are too easily inclined to pass some of the burden on to future generations.

I tend to view the proposal for block grants of revenues to states as an abdication of responsibility and erosion of the power of Congress. Especially would I think it unwise to make them without some specification as to the purpose to which they would be put.

Education, welfare to soak up billions, Rep. Thompson says

Rep. Frank Thompson, Jr. (D-N.J.), a member of the House Education and Labor Committee:

In my judgment, the entire amount of additional revenue produced by a trillion dollar economy at present tax rates could be put to good use in the public sector in support of urgently needed educational and welfare programs.

Therefore, I would hardly see room for further tax cuts at this time. From my viewpoint, the pressing needs of our growing nation, and of the states and communities, should receive first attention.

There is a particularly urgent need for more funds for education, and in no other way can tax dollars be invested to better advantage.

So far as antipoverty programs are concerned, I believe that we have only scratched the surface, and that if we are really *(continued on page 76)*



PHOTO: YOUNG & RUBICAM



PHOTO: AP

Boggles, bungles and botches:

WHERE DID FRANK'S BUILDING



On his way to work one morning recently Frank Parietti stopped in downtown Nyack, N.Y., to check on a vacant building he owned on the edge of the village's urban renewal project.

His building had disappeared.

"I walked up the street to look things over," Mr. Parietti says, "and, holy cow, the whole thing's gone."

A demolition crew working in the federal project had torn down Mr. Parietti's building by mistake.

This was the latest in a series of misadventures which has plagued Nyack's renewal program since its inception in 1959.

The chain of events started when the village board of trustees, looking for a way to recapture Nyack's traditional position as the shopping center of Rockland County and also clean up a downtown section, decided to take part in the federal urban renewal program.

Originally scheduled for completion last spring, the project involves \$3 million in taxpayers' money—three fourths from the federal government and one eighth each from New York State and the village of

Nyack. It covers 17 acres in the heart of Nyack, most of them still lying vacant following demolition.

A bank is the only new building there. It moved from another downtown location—now vacant—after paying \$82,000 for a site which cost the Nyack Urban Renewal Agency more than \$200,000. About one eighth of the project area still has not been acquired by the Agency. This includes the now nonexistent building of Mr. Parietti. Legal entanglements had delayed acquisition of his property by the Urban Renewal Agency—but failed to deter the wrecking crew.

The premature destruction of Mr. Parietti's building is actually one of the lesser mishaps which have befallen Nyack's urban renewal program—and the only one which has served to push it ahead of schedule.

One of the Renewal Agency's chronic problems has been its inability to find a private builder willing to sign a contract to develop the project after the land has been acquired and cleared by the Agency.

A White Plains, N.Y., builder was designated the "tentative preferred sponsor" of the project in 1961 but

managed to put off signing a contract. Under this method of bidding, a developer is selected who simply pays the price set by government appraisers on the project property. Faced with the impasse of a builder who refused to put his name on the dotted line, Nyack officials failed to follow another course open to them—advertising the project for unrestricted bidding from other potential developers.

Finally, last August, Nyack officials rejected the White Plains builder as tentative preferred sponsor of the commercial section of the project—though permitting him to retain his option to build the planned middle-income apartment house—and passed that vague designation on to a Long Island developer.

The reason given by Nyack officials for dropping the original sponsor after four years was that he had lined up as his prime tenant in the commercial area a supermarket which rents a store across the street from the renewal area. Like the bank, this would simply have produced a game of musical chairs—moving a store from one location to another and leaving a vacant building behind.

Relocation of the people displaced by the project also has been a thorn in the side of the Renewal Agency. Federal regulations require that relocation be provided for in an urban renewal plan, and a \$2 million low-income public housing project was built to meet this need.

Nyack officials, however, began demolition on a piecemeal basis before the housing project was completed and also, of course, before they even had a contract with a renewal developer. In some cases, displaced families simply moved into other quarters within the project area and later were displaced again. Others moved into adjoining run-down sections of Nyack and neighboring communities, adding to the overcrowding there.

Nyack urban renewal officials early in the program had promised that first priority in the public hous-

GO ?

ing project would be given to families displaced by renewal. However, when the 82-unit housing project was completed, a number were turned away on the grounds that they were "problem families." Fewer than 40 of the renewal area's 145 families have moved to the housing project.

Other false starts and misfires have marked the program.

Nyack officials once had ambitious plans to expand the original renewal area and inaugurate a second project at a time when the first project was floundering. Now this plan has been dropped.

An effort to add some land owned by the Erie Lackawanna Railroad Co. to the project has slid into a legal morass. The property was purchased years ago by the railroad and the deed included a clause requiring the railroad first to offer the land to the original owners or their heirs if it ever wanted to sell. The heirs are many and widely scattered, and the Renewal Agency cannot acquire the property until it obtains a clear title.

Nyack is the only community in Rockland County that has a federal urban renewal program. Efforts to set up programs in other nearby villages have been voted down by the citizens, many of whom are aware of Nyack's tribulations.

There has been encouraging growth in Nyack outside of the renewal project area. Private interests have built a marina on the Hudson River, a new apartment building has been constructed and another is planned.

Major department store chains have built and are planning branches on adjoining highways, offering further competition to the downtown business district and the renewal project.

Discussing the headaches which have confronted Nyack's urban renewal officials, the current program director, David Goldberg, says:

"Luckily, all our problems have been small ones."

Residents of the village may find it hard to agree. **END**

Urban renewal backers play rough



Bernard Daien

Potshots by snipers, slashed tires, nails in the driveway, obscene and threatening phone calls and letters. . . .

The disturbing outgrowth of a bitter racial or labor dispute?

No, this was the treatment meted out to a man who fought federally subsidized urban renewal in a small village in New York.

Bernard Daien doesn't fit the image of a crusader. He is small and slightly overweight, with mustache, glasses and thinning red hair.

For three years, though, he was one of the leaders in a battle to defeat a proposed urban renewal and public housing project in his home town of Suffern, N.Y. He believes the federally run urban renewal program is wasteful, speculative and puts too much power in the hands of government officials.

"It all started when I went to a village meeting held to describe the proposed project," says Mr. Daien, a 46-year-old electronics engineer. "We were told by the planners how successful urban renewal had been in a town in Connecticut.

"I drove over to see for myself and found their project was vacant land. I made color photographs of the area and showed them to the Suffern Planning Board and Citizens Advisory Committee.

"After that the phone began ringing at all hours of the day and night. When my wife or I would answer, we just heard someone breathing heavily on the other end of the line. Several times the caller told me that \$4 million for an urban renewal project was a lot of money and people had been killed for less than that. I got obscene letters, too."

On his way home from work one afternoon, Mr. Daien says, he felt a sharp blow against the side of his automobile. Getting out, he found that a soft-nosed bullet apparently had glanced off the door next to him, spattering lead and leaving a dent just below the window.

Mr. Daien adds that his automobile tires were slashed twice; air let out of his tires on other occasions, and nails spread in his driveway. Answering one telephone call, he received an offer to buy his house at a price above market value if he would get out of town.

"I felt that these projects would permanently change the character of our community, and the people should have a chance to vote on them," Mr. Daien says.

The opportunity finally came when Suffern officials sought public approval of a bond issue to finance the village's share of the projects. The proposal was defeated by a vote of nearly two to one. **END**



Local 1 President Swayduck gives employers tour of his union's \$1 million training school.

EVERYBODY'S A WINNER

WORKING WITH A CAPITALISTIC UNION

Communist theoreticians who predicted the downfall of capitalism, said that labor and capital are inevitable enemies. But a small, practical New York labor union has proved the exact opposite for 84 years.

Amalgamated Lithographers of America Local 1 has shown that labor and management can be creative partners for mutual benefit. This unique union, which has not called a walkout in 45 years, has quietly and steadily achieved all the gains which newspaper and printing workers elsewhere have failed to get by striking.

Workers at some 500 New York printing firms are members of Local 1. It is affiliated with the International Typographical Union, but controls its own funds and negotiates its own contracts. It is an independent union which often finds itself at odds with others in its industry.

The lithographers local has done

far more than win its 9,000 members one of the highest union wage scales in the United States without strikes. It has also led employers in encouraging technological research and development, including laborsaving devices.

In recent years the billion dollar lithographic industry has snowballed—and its future looms even brighter.

Nearly 1,000 U. S. newspapers—mostly weeklies—now print by offset lithography instead of from type or rotogravure plates. Fast and economical, offset lithography uses a rubber roller to pick up an image from an inked printing plate and transfer it to paper.

Nearly 50 per cent of all trade publications are now produced by this method, double the percentage of 15 years ago, and lithographic production of textbooks has jumped 400 per cent during the same period. In the mushrooming paperback field, approximately half of the books are now printed offset compared to one per cent a decade and a half ago.

In the multibillion dollar advertising and packaging industries, lithography has made even more phenomenal inroads. "That's because it's easy to lithograph on

metal, wood, plastic, cloth, aluminum foil, and most other surfaces," explains a top advertising executive. New York's lithographers Local 1 has been in the vanguard of this publishing revolution.

It was the first industrial craft union in the United States. It includes seven crafts: artists, photographers, engravers, platemakers, pressmen, press assistants and "strippers"—who take photographic negatives and position them on flats for perfect printing register. All of these lithographic workers are amalgamated in Local 1. "Amalgamated" means that all of the crafts operate under one union and one management contract.

Rank-and-file members are well-off, earning an average wage of \$200 to \$350 for a 35-hour week. They also enjoy four weeks of paid vacation and 10 paid holidays.

Local 1 has had most of these benefits for more than a generation.

Today most of its members own their own homes, automobiles and many luxuries. "Why should I hate the bosses?" asks one member. "What's good for them is good for us." A lithography employer wise-cracks, "Hell, my workers are bigger capitalists than I am!"

The union's nest egg—envied by other graphic arts workers—is its whopping \$50 million pension fund. The fund is increasing at the rate of about \$4 million a year. It earns nearly \$2 million a year from investments, mostly in stocks and bonds of such blue-chip companies as General Motors Corp., Ford Motor Co., American Telephone and Telegraph Co., as well as in New York City real estate.

When a Local 1 worker retires at 62, he receives approximately \$400 a month from this pension fund as well as all welfare benefits to which members are entitled while working, plus about \$136 monthly in social security. Because of the feeling of security created by this pension program, old-timers don't hesitate passing on their knowledge and skills to younger apprentices.

Unlike some American unions which have abused their pension funds, Local 1 issues to all members a detailed, certified financial statement from its fund each year. Local 1's fund has thrived partly because it was started conservatively with \$15 a month payments a generation ago.

Some U. S. trade unions are led
(continued on page 82)

Local 1 staff members (left) discuss animated film to be used in one of union's many campaigns to promote the lithographic printing industry. Apprentices and journeyman (right) give instructor close attention at school set up by the union to provide members continual training in newest trade techniques.



PHOTOS BY: BILL JILL, GUY GILLETTE

RED CHINA'S PLAN TO

DOCUMENT REVEALS THE BOLD STRATEGY FOR CONQUEST

Red China's goal of world domination—highlighted recently by increasing aid to North Viet Nam—is spelled out in plain and chilling language in a document which experts are comparing to Hitler's "Mein Kampf." This statement of policy gives a clear picture of the world as seen through the eyes of Red leader Mao Tse-tung. If it seems arrogant, even reckless, Hitler's blueprint for world conquest once was regarded in the same way. It was written by Lin Piao, the communist nation's vice premier and minister of national defense.

The editors of NATION'S BUSINESS have condensed this significant 20,000-word document to bring you an insight into the Chinese communists' schemes for the future. Here, in the words of their top militarist, is what they want and how they plan to seize it.

"Force is the midwife of every old society pregnant with a new one," as Marx so aptly put it.

Comrade Mao Tse-tung advanced the famous thesis, "Political power grows out of the barrel of a gun."

He clearly pointed out: The seizure of power by armed force, the settlement of the issue by war is the central task and the highest form of revolution. This Marxist-Leninist principle of revolution holds good universally, for China and for all other countries.

The history of the people's war in China and other countries provides conclusive evidence that the growth of the people's revolutionary forces from weak and small beginnings into strong and large forces is a universal law of development of the class struggle. A people's war inevitably meets with many difficulties, but no force can alter its trend towards inevitable triumph.

Many countries and peoples in Asia, Africa and Latin America are now being subjected to aggression and enslavement on a serious scale by the imperialists headed by the United States and their lackeys.

In committing aggression against these countries, the imperialists usually begin by seizing the big cities and the main lines of communication, but they are unable to bring the vast countryside completely under their control. The countryside, and the countryside alone, can provide the broad areas in which

the revolutionaries can maneuver freely. The countryside, and the countryside alone, can provide the revolutionary basis from which the revolutionaries can go forward to final victory.

Taking the entire globe, if North America and Western Europe can be called "the cities of the world," then Asia, Africa and Latin America constitute "the rural areas of the world." Since World War II, the proletarian revolutionary movement has for various reasons been temporarily held back in the North American and West European capitalist countries, while the people's revolutionary movement in Asia, Africa and Latin America has been growing vigorously.

In a sense, the contemporary world revolution also presents a picture of the encirclement of cities by the rural areas. In the final analysis, the whole cause of world revolution hinges on the revolutionary struggles of the Asian, African and Latin American peoples who make up the overwhelming majority of the world's population.

The socialist countries should regard it as their internationalist duty to support the people's revolutionary struggles in Asia, Africa and Latin America.

Ours is the epoch in which world capitalism and imperialism are heading for their doom and socialism and communism are marching to victory.

Since World War II, U. S. imperialism has stepped into the shoes of German, Japanese and Italian fascism and has been trying to build a great American empire by dominating and enslaving the whole world.

Like a vicious wolf, it is bullying and enslaving various peoples, plundering their wealth, encroaching upon their countries' sovereignty, and interfering in their internal affairs. It is the most rabid aggressor in human history and the most ferocious common enemy of the people of the world. Every people or country in the world that wants revolution, independence and peace cannot but launch the spearhead of its struggle against U. S. imperialism.

At present, the main battlefield of the fierce struggle between the people of the world on the one side and U. S. imperialism and its lackeys on the other is the vast area of Asia, Africa and Latin America. Since World War II the peoples of China, Korea, Laos, Cuba, Indonesia, Algeria and other countries have waged people's wars and won great victories.

Today, the conditions are more favorable than ever before for the waging of people's wars by the revolutionary peoples of Asia, Africa and Latin America against U. S. imperialism and its lackeys.

U. S. imperialism has weakened itself by occupying so many places in the world, overreaching itself, stretching its fingers out wide and dispersing its strength, with its rear so far away and its supply lines so long.

The struggles waged by the different peoples against U. S. imperialism reinforce each other and merge into a torrential world-wide tide of opposition to U. S. imperialism. The more successful the development of people's war in a given region, the larger the number of U. S. imperialist forces that can be pinned down and depleted there.

When the U. S. aggressors are hard-pressed in one place, they have no alternative but to loosen their grip on others. Therefore, the conditions become more favorable for the people elsewhere to wage struggles against U. S. imperialism and its lackeys.

CONQUER THE WORLD



Red China's warlike aim is vividly portrayed in bitter poster which urges workers and peasants to destroy U. S. imperialism at gunpoint.

Everything is divisible, and so is this colossus of U. S. imperialism. It can be split up and defeated. The peoples of Asia, Africa, Latin America and other regions can destroy it piece by piece, some striking at its head and others at its feet.

U. S. imperialism relies solely on its nuclear weapons to intimidate people. But those weapons cannot save U. S. imperialism from its doom. Nuclear weapons cannot be used lightly.

However fully developed modern weapons and technical equipment may be and however complicated the methods of modern warfare, in the final analysis the outcome of a war will be decided by the sustained fighting of the ground forces, by the fighting at close quarters on battlefields, by the political consciousness of the men, by their courage and spirit of sacrifice.

The spiritual atom bomb which the revolutionary people possess is a far more powerful and useful weapon than the physical atom bomb.

Viet Nam is the most convincing current example of a victim of aggression defeating U. S. imperialism by a people's war. The United States has made South Viet Nam a testing ground for the suppression of people's war. The U. S. aggressors are in danger of being swamped in the people's war in Viet Nam. They are deeply worried that their defeat in Viet Nam will lead to a chain reaction.

They are expanding the war in an attempt to save themselves from defeat. But the more they expand the war, the greater will be the chain reaction. The more they escalate the war, the heavier will be their fall and the more disastrous their defeat. The people in other parts of the world will see still more clearly that U. S. imperialism can be defeated.

History has proved and will go on proving that people's war is the most effective weapon against U. S. imperialism and its lackeys. All revolutionary people will learn to wage people's war against U. S. imperialism and its lackeys. They will take up arms, learn to fight battles and become skilled in waging people's war.

U. S. imperialism, like a mad bull dashing from place to place, will finally be burned to ashes in the blazing fires of the people's wars it has provoked by its own actions.

In diametrical opposition to the Khrushchev revisionists, the Marxist-Leninists and revolutionary people never take a gloomy view of war. We will destroy whoever attacks us.

As for revolutionary wars waged by the oppressed nations and peoples, we invariably give them firm support and active aid. It has been so in the past, it remains so in the present and, when we grow in strength as time goes on, we will give them still more support and aid in the future.

Today, the revolutionary base

areas of the peoples of the world have grown to unprecedented proportions. Their revolutionary movement is surging as never before.

The struggle of the Vietnamese people against U. S. imperialism and for national salvation is now the focus of the struggle of the people of the world against U. S. aggression.

The determination of the Chinese people to support and aid the Vietnamese people in their struggle against U. S. aggression and for national salvation is unshakable. No matter what U. S. imperialism may do to expand its war adventure, the Chinese people will do everything in their power to support the Vietnamese people until every single one of the U. S. aggressors is driven out of Viet Nam.

The U. S. imperialists are now clamoring for another trial of strength with the Chinese people, for another large-scale ground war on the Asian mainland. The Chinese people definitely have ways of their own for coping with a U. S. imperialist war of aggression. Our methods are no secret. The most important one is still mobilization of the people, reliance on the people, making everyone a soldier and waging a people's war.

We want to tell the U. S. imperialists once again that the vast ocean of several hundred million Chinese people in arms will be more than enough to submerge your few million aggressor troops.

We shall fight in the ways most advantageous to us to destroy the enemy and whenever the enemy can be most easily destroyed.

The naval and air superiority you boast about cannot intimidate the Chinese people, and neither can the atom bomb you brandish at us. If you want to send troops, go ahead. The more the better. We will annihilate as many as you can send, and can even give you receipts.

The Chinese people are a great, valiant people. We have the courage to shoulder the heavy burden of combating U. S. imperialism and to contribute our share in the struggle for final victory over this most ferocious enemy of the people of the world.

All peoples . . . unite! Hold aloft the just banner of people's war and fight for the cause of world peace, national liberation, people's democracy and socialism! **END**

SETTING THE RIGHT EXAMPLE

A conversation with James S. Kemper,
a pioneer of the insurance industry

The building on the banks of the Chicago River where James Scott Kemper presides over the affairs of his 13 insurance companies was built to last.

And so was Mr. Kemper.

The building has outlasted by nearly three decades the man who built it—Samuel Insull, whose utility empire collapsed in the '30's. Mr. Kemper at 79 is still active as chairman of the boards of the companies in the Kemper Insurance Group. His son, James S. Kemper, Jr., and other associates actually run the companies but there is no question who is boss: the senior Mr. Kemper. He doubts he will ever retire.

He got into the insurance business in 1905 as a junior clerk in the office of a small company in his home town, Van Wert, Ohio, where his father was a lawyer. Since then, the insurance business has grown enormously and changed radically. Mr. Kemper has had an important role in bringing about the progress that has been made.

Just as importantly, Mr. Kemper has been in the lead in urging businessmen to become more active in national and community affairs. He still practices what he preaches. Mr. Kemper's activities over recent years include service as president of the Chamber of Commerce of the United States, ambassador to Brazil under President Eisenhower, Republican national committeeman from Illinois and treasurer of the Republican National Committee.

A NATION'S BUSINESS editor met

with him in his large, picture-filled Chicago office for this interview:

Mr. Kemper, many people believe one of the biggest problems of businessmen over recent years is their failure to exercise the national leadership role they used to.

I believe it is coming back. I think it is better than it was 10 years ago.

I think that businessmen generally realize that this is part of the chore of citizenship and, as head of a business, devote some time and effort to politics.

I was brought up in a political atmosphere. There were only two homes in my home town in Ohio that were equipped to entertain a President of the United States, governors or other visiting dignitaries, and ours was one of them.

From the time I was six, father would say to mother, "All right, So-and-So is going to be here for dinner tomorrow night, have Jamie with us."

You know, to sit in and listen. I was reared hearing politics discussed.

William McKinley came to our home and Senator Mark Hanna. Every few weeks there was someone visiting with us.

Your republic is only as good as the people in it, and they can't sit back and whistle and expect everything to come out all right.

What should businessmen do?

They don't do enough. The average businessman is very gracious in



PHOTO: ECLAR HAIN-BLACK STAR

Problem-solving in the executive suite usually takes a special wisdom acquired through long years of getting answers and results. *Nation's Business* brings you another in the series, "Lessons of Leadership," presenting the accumulated knowledge of respected American business statesmen and told in interviews with our editors.



LESSONS OF LEADERSHIP *continued*

making political contributions, and very helpful. It is a little more difficult to get him to put in his own time.

If the republic is to survive, businessmen should do more than just put up money for political parties. They must personally fight for principle.

In an off-the-record discussion with some businessmen recently in Washington, one of the most influential men in Congress complained that unions get a lot of what they want because they do such effective lobbying. Is that part of the problem?

Yes. And union bosses compel their members to put up the money, too. They exact compulsory contributions. We businessmen don't.

The businessman's is voluntarily done, whereas a labor union compels the guy, whether he likes it or not, to contribute.

Their dues are taken out of the pay checks and the union contributes part of the dues to COPE and their other political action committees. Often they don't know what their representation is or what's being done.

So you would advocate that businessmen become much more active in local political affairs?

Yes, straight up and down the line. Not only as candidates for elective office but as fellows willing to take an appointive office.

You can talk to any President of the United States and he will tell you that it is a problem to get competent men for government service. They will have a fellow for six months and then he says, "My wife doesn't like Washington. I want to go home."

When businessmen don't take an appointment or don't stay it usually means someone less knowledgeable, not as competent, is chosen.

It's tough enough for even the best people to see what's happening within their government.

I had an interesting experience one time with William Howard Taft, for instance.

I was at dinner with him in Washington. The president of the Chamber of Commerce of the United States, Harry Wheeler, was sitting across the table at President Taft's side.

I said, "Mr. President, is Con-

gress going to pass a federal income tax amendment?"

He said, "Yes, it is."

I said, "Will it limit the amount that can be assessed against any individual or corporation?"

"Oh," he said, "there is no need to do that. The tax never will be over three per cent." That was William Howard Taft who said that. He believed it, too.

Why do you think there has been so much animosity between government and business?

I think it is overemphasized.

Sometimes it is the fault of the government and sometimes it is the fault of business.

There are some people in high office who take punitive action that is not justified by the law or any other pertinent factor. By and large, though, if the businessmen get to know their representatives and know who the people are in the government, they will get a fair deal.

They get in trouble in the main, I believe, because they don't know anyone and don't do anything about it and if they get in a difficulty in Washington, they hire some lawyer to go there instead of going there themselves.

If the people are going to sit back and let John do it, it won't be done. They have to get into it.

Who is the most interesting political figure you have dealt with over the years?

I think the one I most enjoyed was F.D.R., and he was a political "no-good" from my standpoint.

But if I didn't go in to see him he would say to one of his aides, "What's happened to young Kemper?"

"Well, he has been out making speeches against you, Mr. President."

"I would like to see him anyway," he would say.

F.D.R. was a very interesting chap. I don't think he gave a continental about—well, I think that he was more interested in his dynasty than he was in his country. Perhaps he didn't think so, I don't know.

One of the finest men we have ever had in politics in this country was Bob Taft. He was a dedicated citizen and had a brilliant mind.

But, I think you said "interesting," didn't you?

How about President Hoover? You had considerable dealings with him.

Yes, he was a wonderful person. When I went to New York we

usually had luncheon together in his apartment.

I could tell exactly what we were going to have to eat. Of course, it was his home, you didn't order, even though it was in the Waldorf.

It was usually beef stew or lamb stew. You could bet a fortune on that and be safe.

He said to me one day in 1951, "Tell me about some of the recent entries in your diary."

Every night I put an entry in my diary—something important or unimportant, but an entry nevertheless.

So, he said to me, "What is your entry going to be tonight?"

I said, "I am going to write, 'I had my first cup of coffee today with my favorite American, former President Herbert Hoover.'"

"You mean you never had a cup of coffee?"

I said, "No, never have."

"How did that happen?"

"Well," I said, "when I was about 12 or 13 I said to my father, 'Dad, Mr. Crooks and Mr. Humphreys and Mr. Davies and Mr. Jones, each has promised his son a gold watch when he is 21 if he does not drink or smoke until that time.'"

"'Jamie, how did you happen to tell me that?' That put me on the spot."

"I said, 'Well, I suppose I wondered whether you had the same thing in mind.'"

"He said, 'My son, I never will reward you for doing anything so definitely in your own self-interest as not smoking and drinking.'"

"He said, 'As a matter of fact, if you are smart you won't drink tea or coffee either.'"

I told that to President Hoover.

And I didn't have a cup of tea until the mother of the girl to whom I was engaged had a little tea party to submit me to the critical examination of the relatives.

What are the greatest changes that have come about in the insurance industry since you got in it back in 1905?

Well, I think the percentage of crooks operating against the insurance companies and their policyholders is at an all-time high. The big salad oil scandal is a case in point. It is the worst one.

Stealing—and that is what it amounts to—was frowned upon as a terrible thing when I was a youth. Now it is saluted as a good sport, something clever, a status symbol.

The most interesting development has been extension of cover-

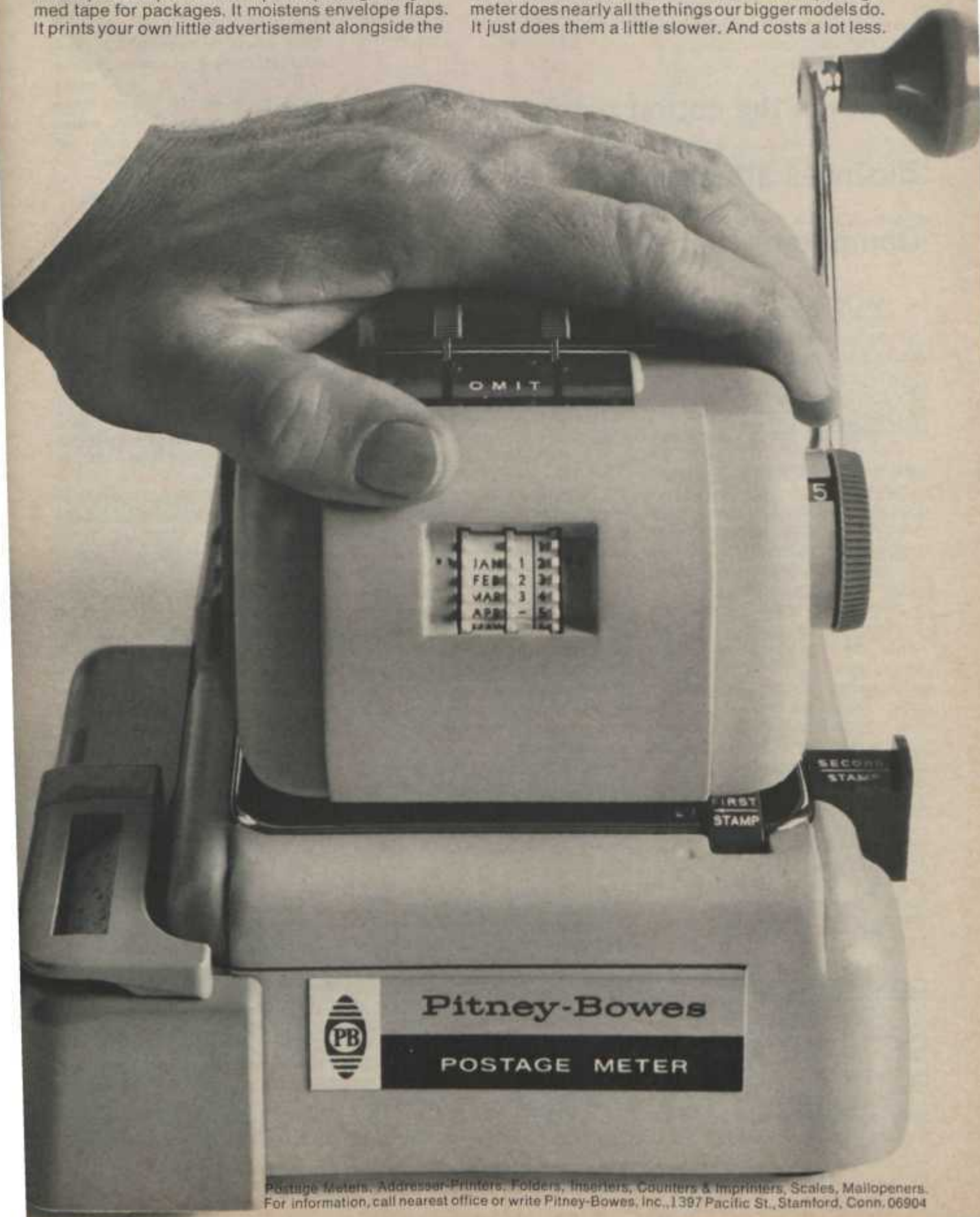
(continued on page 81)

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Death in the cotton patch

(Agriculture)

Business attacks slums

(Marketing)

Computers chatter in flight

(Transportation)

AGRICULTURE

The poor weed won't stand a chance in the cotton patch.

Researchers in Mississippi are developing a cultivator that uses electronic sensing devices to tell weeds from cotton plants. It's one of many farm mechanization developments on the horizon.

State experimenters found one problem, though—a pesky plant the device can't tell from cotton. Solution: When the machine fails to detect weeds to chop, it automatically shoots out a herbicide. It kills this weed, and doesn't harm cotton.

More nearly ready for use is a device to pick asparagus by a band saw cutting several inches below ground. A sifter separates spears from soil.

The Agriculture Department reports a flood of developments in various stages for specialized farm use, financed by federal funds, states, grower associations, savvy investors. Much work is done by small firms.

CONSTRUCTION

A drive to modernize school construction shows signs of spreading swiftly to other areas of the building industry.

Builders' problems include outdated standards, markets too small to profit from mass-production econ-

omies or to spur research by suppliers.

An experiment financed by a \$500,000 Ford Foundation grant put a team together in California where a dozen school districts with \$30 million in construction needs were assembled as one market.

Experiment's key elements: Large market, lead time for research, close cooperation among suppliers working as a system, and performance standards rather than building specifications. For example, what span a roof must cover and what load it must carry, not what it must be made of, how it must be built, what it must look like.

The architectural team, now incorporated as Building Systems Development, Inc., is applying the technique to college housing. Next: maybe private apartments, shopping centers, office buildings.

CREDIT & FINANCE

Lower-income borrowers stand to gain from a program picking up momentum among mutual savings banks.

Banks' New York State organization leads drive to expand members' financial counseling services.

They've offered some services on an informal basis for years. But many bankers see need for a more organized effort. So the New York

State group is studying the possibility of drafting a model program.

This effort ties in with banks' campaign to become "family financial service centers," with powers to issue life insurance, make personal loans, expand branching.

FOREIGN TRADE

U. S. exports are due for a boost from new State Department program.

Teams that inspect embassies now include businessmen who investigate and report their findings.

Nation's Business interviewed Robert M. Adams, Jr., management consultant and former United Aircraft Corp. official, as he was drafting a report to the State Department on his seven-week tour of Jordan and Syria.

He found embassy commercial officers eager and able to help boost trade. "But I'm damned if I see where American industry is getting the benefit of it."

Why? Many American businessmen, including himself before his trip, have been ignorant of overseas prospects, available embassy help. He calls for better government channeling of information, closer ties with organizations like American Ordnance Association, National Security Industrial Association, Chamber of Commerce of U. S.

MANUFACTURING

Nation's economy has the potential for a "striking advance of industrial production" over the next 10 years. But there's one big if.

National Industrial Conference Board says output increased at a four per cent annual rate from 1948 to 1964.

Rate through 1975 could reach five per cent because of a "wave of growth in . . . human resources, unequalled since the days of heavy immigration to America many decades ago."

Development of these resources will require, among other factors,

GROWTH OF INDUSTRIAL OUTPUT BY 1975

INDEX: 1957-1958 = 100



incentives for savings that will support private investment at a rate of nearly \$118 billion a year by 1975, nearly double the 1964 rate.

MARKETING

United States Gypsum Co. is now a slum landlord.

In a drive for new markets, USG has bought six structurally sound but run-down buildings in Harlem for renovation with corporate funds and its own materials.

Its goal is to show private business can economically rehabilitate slums and to develop products specifically for the job. The company sees a gigantic market in rehabilitation and wants its share.

Developers of the \$1.25 million experiment will try out various materials from building to building, reporting on experience and checking back with company laboratories as new ideas arise. Then they'll sell the buildings.

The company has shifted to a more market-minded sales strategy in recent years. Item: A company team held meetings with school officials and builders in 36 major school markets to promote its sound-proofing materials. Result: Well over \$1 million in new orders.

In the same vein, USG is expected shortly to announce a reorganization of its marketing organization

and the hiring of a new vice president for research, a man with experience with building materials, to give a fresh approach to products.

NATURAL RESOURCES

Explosive growth in the paper industry may confront a timberland shortage in future.

There's plenty of hardwood and pine available now in the 12-state Southern region which accounts for 60 per cent of domestic supply.

But U. S. Forest Service estimates that demand will triple 1962 consumption by year 2000. Officials now say estimates may be low.

Southern Pulpwood Conservation Association says new plants already announced will boost consumption 30 per cent by 1968; existing plants expand capacity by five to seven per cent a year.

Two conflicting trends are noted—a net gain in potential timber acreage with retirement of farmland, and a loss in actual timberland to high-intensity farming, other uses like hunting.

Experts say net acreage gain should continue for 10 to 20 years, then lose to industrial and urban development, lakes, airports and highways. One problem in the South: Industry owns 10 to 12 per cent of supply, depends on private landowners for timber growth,

conservation. J. B. Edens, president of National Forest Products Association, warns: "Our timberland will become playgrounds and some mills will become rustic hot dog stands or souvenir shops."

Meanwhile, demand increases with population, higher per capita use of paper, industry quest for new products.

Eventual result will be leveling off of consumption or more intensive timber growth.

TRANSPORTATION

Future aircraft may beep out signals like orbiting space capsules.

"This is the gleam in the eye of the forward thinkers," says the Air Transport Association, citing experiments in air-ground communications.

Expensive, fast-moving and far-ranging supersonic transports will tax airlines' ability to make swift operational decisions.

Demand will rise for more airborne and ground computers, use of satellites to handle both normal air-ground chatter and new information generated automatically by equipment on planes.

Vital data like engine performance can be recorded by sensing devices and relayed to ground stations from planes in flight.

Satellites hold promise for communications over oceans and underdeveloped areas where ground stations would be impractical. Computers capable of high-speed transmission would replace time-consuming voice communications.

With automatic monitoring of in-flight plane performance, computers would be needed to select data for transmission, limiting messages to what the ground needs to know.

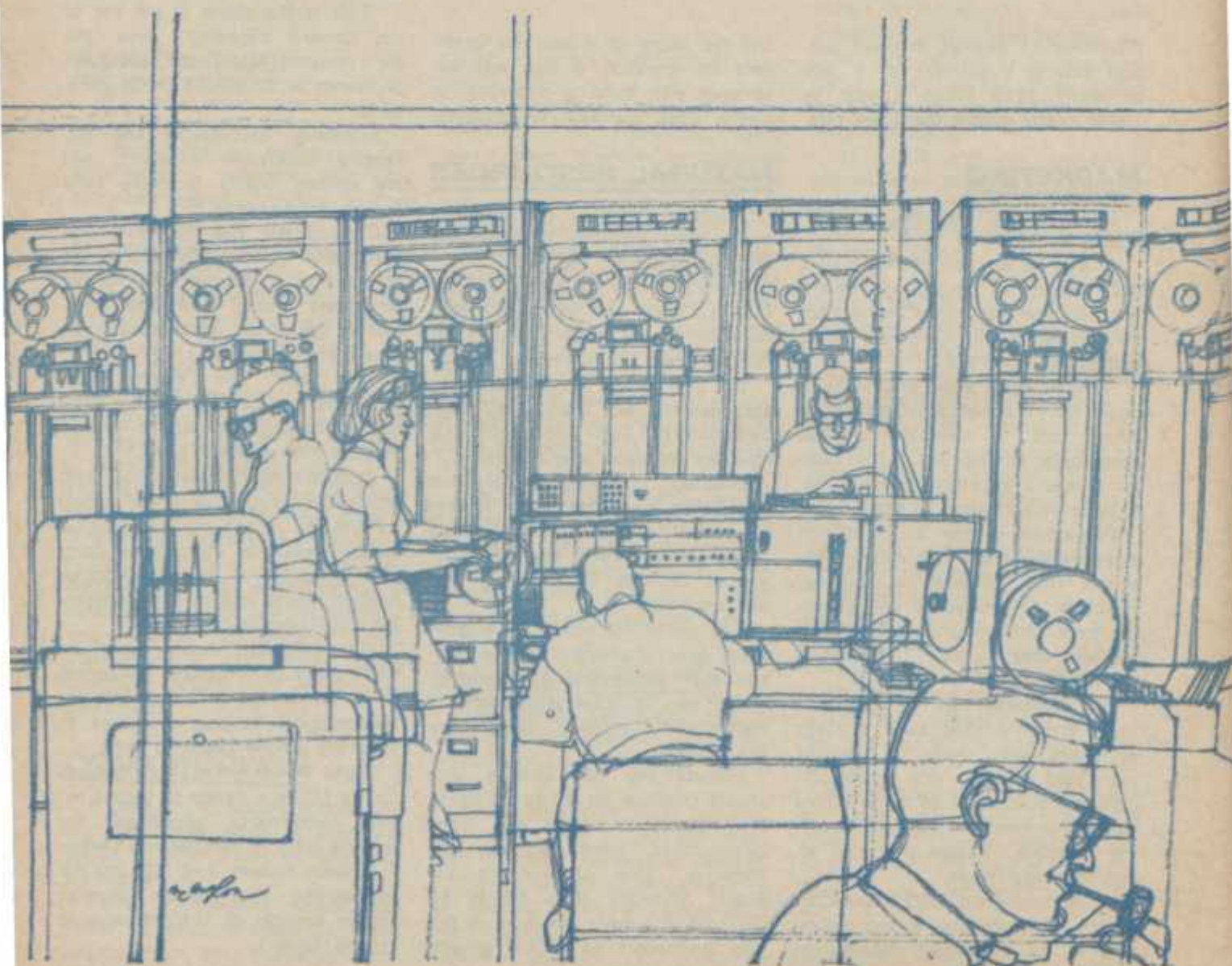
Trans World Airlines has ordered for its DC-9s a device to record engine performance periodically for teletype relay to maintenance center.

Eastern Airlines and IBM are experimenting with engine monitor system capable of in-flight relay to ground stations.

PATTERN FOR SUCCESS

How to make better decisions

Fifth article in a series re-creating Harvard
University's Advanced Management Program



One evening during your 13 weeks as an executive turned student in Harvard Business School's Advanced Management Program, you sit down with pencil and paper to try out a new technique in thinking that you learned earlier in the day. Before you've finished a cup of coffee you find a way to save one of the country's leading manufacturers \$240,000 a year in shipping costs.

It's one of your shining moments in that portion of the program devoted to modern decision-making tools for managers.

All 160 "AMPs" in your session have made their share of tough business decisions, but few have ever before used the "profit-preference procedure"—which you use to solve this problem—or any of the other methods of analysis developed for business in only the past 15 years.

Paul A. Vatter, one of three professors who conduct this part of the program, says the hardest part of his job is overcoming a fierce negative attitude many managers have toward such topics as mathematical programming and operations research.

"You see the glee with which they describe how a computer system once gave ridiculous results," Prof. Vatter remarks. "They view these things as mysterious processes that are going to rise up and make them obsolete."

"But nothing could be further from the truth. These actually are tools allowing the manager to exploit his experience and abilities, making him more valuable. They force him to think a little more specifically and concretely about his judgments."

Rising technology, he says, makes decisions more difficult. There is more uncertainty in the world. But at the same time, technology has provided the means to deal with the increased uncertainty.

Today's top executives usually cannot expect to become expert in the theoretical and minute workings of the specialized tools available for dealing with business facts which are now available in unprecedented scope, volume and detail, Prof. Vatter contends. But they have a vital stake in appreciating the versatilities and limitations that these advanced methods have in their struggle for higher profits.

Enlightened businessmen are using these methods to make real decisions in finance, production, personnel, marketing and accounting—whenever substantial amounts of money are involved.

Making a choice

In all decision-making problems you study as an AMP, a choice must be made among several possible acts—a choice that will ultimately lead to some definite profit or loss. The amount will be determined by events which, unfortunately, cannot be predicted with certainty.

When the relevant facts are not all known, it is impossible to make sure that every decision will be right. The businessman is forced to take risks.

Prof. Vatter claims the technique of modern decision theory is like the strategy of Julius Caesar against strong foes.

"Caesar divided his enemy into smaller groups and concentrated on them one at a time," Prof. Vatter explains. "Similarly, when attacking a tough problem, break it into smaller, easier problems, conquering them one at a time."

In one of your first cases in decision theory, Prof. John E. Bishop, another of the trio of decision technique teachers, asks you to play the role of president of the Lockbourne Co., a fictitious name for a real and thriving firm that makes and distributes a line of packaged goods.

You have a dual problem in the case. First, how can you cut costs of shipping from your three plants to your warehouses in five regional areas? Freight costs had reached \$2,275,000 the previous year.

Second, how can you eliminate the friction that

CHART I

SALES REGION	DEMAND (in hundred thousand cases)
ATLANTA	5
CHICAGO	11
DALLAS	4
LOS ANGELES	4
NEW YORK	8
TOTAL	32

CHART II

PLANT	PRODUCTION CAPACITIES (in hundred thousand cases)
PLANT #1	12
PLANT #2	7
PLANT #3	15
TOTAL	34



PATTERN FOR SUCCESS

continued

has developed between regional managers over which factories should supply them? Up to now it has been the responsibility of each manager to hold down his plant-to-warehouse freight rates. The result has been that one factory was swamped with orders while another, located far from most of the regions, got very few.

You have to figure out whether you, rather than the managers, should decide how much each manager should order from each plant.

It means taking into consideration the sales demands in the five regions (Chart I), the plant's capacities (Chart II), and the 15 different freight rates from the factories to the various warehouses (Chart III).

First you make a rough chart using any combination of shipments that conforms to the plant capacities and warehouse demands. Since the plants' capacity exceeds the total demand, you draw an extra column marked "Don't Produce." Basically, your job now is to keep improving on the chart until you reach the best possible combination.

You assign dollar values to the blank boxes on your rough chart to represent what it is costing you NOT to ship to those spots. Then you adjust the shipments in the various boxes, adding to the highest-valued blank boxes and subtracting from

other boxes. You continue in orderly fashion, using simple arithmetic and a series of penciled stars and X's until out comes your best array of quotas (Chart IV).

The procedure lets you see that you can not only reduce the total freight cost to \$2,035,000 but also lower the individual costs for the managers of the Atlanta, Dallas and Los Angeles regions and only slightly raise them for the other two.

But there may still be factors that would make the solution a bad one. For example, as the Lockbourne Co. president you may have a special reason for keeping your Chicago manager happy. If so, you revise your analysis to reflect this and continue until you get a solution that you feel you can carry out.

Prof. Bishop confronts you with several more decision-making cases. In one, an inventory problem, you must decide how many items to stock of a commodity that perishes after a day. Before attacking the problem you are asked to guess what the best number of items would be.

Then, using betting odds based on previous sales histories for the item, you formally analyze the problem and come up with an answer that differs surprisingly from the answers most AMPs reached intuitively.

How many can you sell?

You next tackle an investment problem. Prof. Vatter asks you to play the part of the chief decision maker in a firm that produces seasonal nov-

CHART III
REGIONAL WAREHOUSES

FACTORY	ATLANTA	CHICAGO	DALLAS	LOS ANGELES	NEW YORK
PLANT #1	\$.95	\$.15	\$.80	\$ 1.05	\$ 1.00
PLANT #2	.35	.80	1.40	1.80	.30
PLANT #3	.90	.70	1.60	1.80	.85



CHART IV
REGIONAL WAREHOUSES

FACTORY	ATLANTA	CHICAGO	DALLAS	LOS ANGELES	NEW YORK	DON'T PRODUCE
PLANT #1		4	4	4		
PLANT #2					7	
PLANT #3	5	7	0		1	2



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whatever its size,**

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Choose the low-cost Chevy-Van...or one of 11 basic Step-Van models



or pick from a pair of panels



or put a delivery body on any one of 7 forward controls...or 26 cowl

Save your firm some money with a Chevy that fits your work

Getting the right truck for the job is like putting money in the bank. It's all good.

Your drivers will know it's good because, with the right truck, they'll get more done in a day with less work. They'll get the right load space for their type of cargo, the right doors, the right power team.

And your firm will know it's good because of savings that stem from equipment that's not too big and costly to run or too small to take the work.

Over the years, we've learned the importance of tailoring trucks to their jobs. That's why Chevrolet now provides the widest selection of covered

delivery trucks in the business: low-cost Chevy-Vans, conventional panels, Step-Van 7's, Step-Van Kings, regular Step-Vans, forward controls and cowl with a broad choice of wheelbases, payload capacities, body lengths, engines, transmissions and convenience features offered in most of the models.

The thing to do, of course, is to see your Chevrolet dealer. He'll introduce you personally to all of the different kinds of Chevy covered delivery trucks and help you to pick the one that will serve you best and save you the most money. . . . Chevrolet Division of General Motors, Detroit, Michigan.



PATTERN FOR SUCCESS

continued

elties. You are about to tool up to make an item which has a traditional price of \$1.50.

This product can be made by either of two processes. Process A requires a \$1,000 capital investment and \$1 per unit for labor and material, while Process B costs only 50 cents per unit but requires an investment of \$5,000. Process A will thus be better if sales are low, while Process B will be better if sales are high.

Without knowing what your sales actually will be, you must either not produce the item at all or choose between one of the two processes.

To oversimplify the problem, you assume that if you produce the item, one of three possible events will happen:

1. You will sell 1,000 items to Customer A.
2. You will sell 1,000 items to Customer A and 4,000 items to Customer B.
3. You will sell 1,000 items to Customer A, 4,000 items to Customer B and 5,000 items to Customer C.

You assume that your marketing structure is such that there are no other possibilities.

What, you are asked, is a reasonable criterion for choosing among possible acts when their consequences cannot be predicted with certainty?

One possible approach is called a "conditional analysis," because of its "if, then" character. It doesn't try to predict what the outcome of a particular action will really be, only what it will be if a particular event occurs.

The best that any such analysis can do is identify the most profitable action among those examined; there might be still better actions that are not being considered.

There is also a forecasting aspect to this problem. How many of the novelties do you think you can sell?

"If we try to reach a seat-of-the-pants decision in some Gestalt sense—some totality sense—we are really only trying to balance many problems at once," Prof. Vatter says. "Psychologists studying the human mind agree that it does best when solving one problem at a time and is less efficient with two, three or more dimensional problems."

You must now carefully set your betting odds. In many problems these odds themselves are the result of much formal analysis of such data as sales records, industry expectations and reports from trade associations and your field representatives.

"All businessmen use betting odds," Prof. Vatter says, "but usually they cloak them in weasel phrases, like 'Well, there's a pretty good chance this thing will lay an egg, but if it doesn't, look out.'"

"People have great trouble in dredging from their viscera odds for various things. When I watch an executive trying to set precise odds for the first time, I get the feeling I'm watching a third-rate performance of Hamlet, complete with groans and doubts."

Often a decision maker lacks a firm quantitative base, such as past sales records, for assigning odds. But he may have a certain amount of qualitative

CHART II

PAY OFF TABLE

POSSIBLE SALES	WOULD-BE PROFITS			YOUR SALES ODDS
	IF YOU DON'T PRODUCE	IF YOU USE PROCESS A	IF YOU USE PROCESS B	
EVENT I (EXACTLY 1,000 ITEMS)	\$0	\$-500	\$-4,000	1/2 chance
EVENT II (EXACTLY 5,000 ITEMS)	\$0	\$1,500	\$0	1/3 chance
EVENT III (EXACTLY 10,000 ITEMS)	\$0	\$4,000	\$5,000	1/6 chance
EXPECTED DOLLAR VALUE	\$0	\$917	\$-1,167	



The expected dollar value, also called the expected monetary value, is the sum of the three would-be profits in a column after each profit is multiplied by its chance of coming true. That is, the expected dollar value of Process B is $(\frac{1}{2})(-\$4,000) + (\frac{1}{3})(\$0) + (\frac{1}{6})(\$5,000)$, which equals minus \$1,167 as shown.

experience which enables him to make judgments such as "Event 1 is more likely than Event 2." The trick is to develop your intuition into probability estimates.

In the investment problem you decide that the odds are one in two that you will sell exactly 1,000 novelties; one in three that you will sell exactly 5,000 and one in six that you will sell exactly 10,000.

You now put all the relevant information you have into a "payoff table" (Chart V). Across the top of the table you list the various possible actions.

Choosing the "best" involves assigning an expected dollar value to each of the three possible actions. Two main sets of ingredients go into calculating the expected dollar value of an action:

1. The "conditional dollar value" for each possible event and action.
2. The probabilities you have determined for the events.

The expected dollar value of Process A, for example, is one half of minus \$500 plus one third of \$1,500 plus one sixth of \$4,000. That equals \$917. Although you can't possibly make exactly \$917 from Process A, the figure serves as an in-

PATTERN

continued

dex of the best action. It also indicates how much the process is worth if, for example, someone wanted to buy the patent on the process.

The most likely occurrence, you have judged, is that the demand will be for only 1,000 of your novelties.

"Many persons would stop at this point, mesmerizing themselves into thinking that this is the thing that will actually take place," Prof. Vatter says. "They would conclude that the best act would be not to produce the item at all."

Yet, the bottom row of the payoff table shows that the highest expected dollar value of the three possible actions is the \$917 under Process A, which, therefore, is the smartest choice.

Prof. Vatter shows you another way to solve the investment problem using a "decision tree" (Chart

VI). The basic idea behind a decision tree is that whenever you have a set of alternative acts, you depict them as branches from a tree trunk. Usually you would show a further set of events branching from each of those branches. Thus you think through and describe a whole decision process.

Making a decision tree

The second step is to assign a "value" to the tip of every terminal branch and assign a "probability" to every branch that has an uncertainty about it. The value is what it would be worth to you to be at the tip of a branch. The probability is some fraction from zero to one representing your best estimate of what the chances are that you will go along that branch.

A zero probability means there is no chance the event will happen. A one means the event can't miss. The sum of the probabilities of all the branches from a single node should equal one.

Multiplying the value by the probability gives you the "weighted value" of the tip of any branch. Adding up the weighted values of all the branches stemming from a node gives you the expected value of that node—what it would be worth to you to be at that node.

In assigning values and odds, of course, the important ingredient is the business judgment of the decision maker.

The third step in working with a decision tree is mechanical. You simply work backward from the tips to the trunk, snipping off when you face alternatives so that only those branches promising the greatest return remain. In Chart VI the double wavy lines indicate the pruned branches.

You now complicate and sophisticate your decision tree. You assume there are three possibilities for the price of your product: \$1.25, \$1.50 and \$1.75. The odds for your three sales levels vary with each price.

You add still another factor that will affect your sales—how your competitor will react to each of your price choices. You decide, for example, that if you price your product at \$1.25, he will do one of three things: He'll hold his \$1.50 price; he, too, will sell at \$1.25 or he'll undercut you at \$1.15.

Exercising your business judgment again, you set odds for each of these possibilities.

It's plain to see that you can

carry out the branching process almost indefinitely. Prof. Vatter points out that DuPont once used 40 large sheets of paper to make a decision tree for figuring a single price line.

You take another crack at making a decision tree in the case of Thaddeus Warren, operator of a real estate agency specializing in finding buyers for commercial properties. He is offered an unusual deal:

Three pieces of property are to be sold. Mr. Warren can pick any one of them to sell within a limited time. If he succeeds, he has an option to sell a second piece. If he takes that option and succeeds again, he gets an option to sell the third.

The three pieces of property have different prices, different expenses involved in selling them and different probabilities for successful sales. You must build a decision tree to determine which, if any, of the three properties Mr. Warren should try to sell first.

Another case you study involves the problem of whether to drill for oil in a certain spot. There are three potential events: The hole could be dry; it could have gas deposits or it could have oil deposits. Each of the three events carries different probabilities and different expected returns.

The inclination of most persons at this point would be to say, "Well, let's call in the experts and see what they advise." But the advice of experts in this case will cost you \$10,000. You wonder if it's worth it.

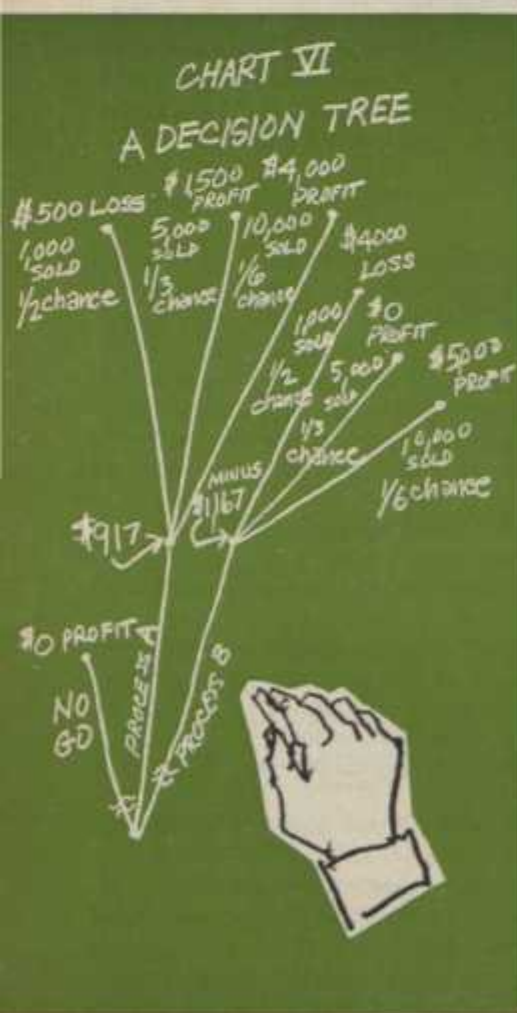
Figuring EVPI

The case leads the AMPs into a discussion of "expected value of perfect information" (EVPI), which is the difference between the expected profit of the best action under uncertainty and the expected profit of the best action if you knew what would happen.

Suppose, for example, that it would cost you \$600 to get a consumer panel's reaction to the product you want to turn out in Chart V.

If you knew you would get a poor reaction, you would not produce it at all. If you knew you would get a fair reaction, you would use Process A and clear \$1,500. If you knew you were going to get a good reaction, you would use Process B and make a profit of \$5,000.

You already have figured that there is a one half (or a 50 per



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cent) chance you will get a poor reaction, a one third (or 33 per cent) chance of a fair reaction and one sixth (17 per cent) chance of a good reaction. The sum of the weighted values (your sales odds multiplied by would-be profits) is \$1,333. This is the expected profit with perfect information on which of the events will actually occur.

But you know that without this information, you would use Process A which has an expected dollar value of \$917. Subtracting \$917 from \$1,333 leaves only \$416 which is the true value to you of perfect information on what the consumers reaction will be. If you would not pay \$600 for flawless information, you certainly would not pay it for a consumers report which can't give perfect information anyway.

So you would undoubtedly forget the consumers report and go ahead with your plans to use Process A.

Buying market data

"The business manager has no right to spend the firm's money on

information if the information's value will turn out to be less than it's going to cost," Prof. Vatter comments.

Prof. Vatter believes many businessmen fall into one of two categories. The first type says, "I've succeeded all my life, and my feel for the market is more reliable than anything I could buy."

The second type says, "I believe in using all the best scientific tests. I always test-market my products."

"Both contentions are equally irrational," Prof. Vatter says. "Information is worth different amounts to different people. It depends, among other things, on how good you think your judgment is. The more you think you know, the less you should be willing to pay for information."

In all of these cases you have assumed that the only thing you are interested in is the straight dollar and cents difference among various possible acts.

One day in class Prof. Vatter holds up a coin and asks, "If I flip this up, how many of you would be willing to give me 45 cents if it lands tails or receive 50 cents from me if it lands heads?"

Hands go up all over the room. "Well," Prof. Vatter continues, "let me alter the proposition slightly. Suppose I offer you \$5,000 if it's heads, but if it's tails, you'll have to pay me \$4,500. Assume there are no taxes on your winnings—that you already have large enough gambling losses to cover them. If you lose, I'll give you until tomorrow to get up the money. Who would take me up on this?"

This time not a single hand goes up.

"What's the difference?" Prof. Vatter asks. "The expected value of taking the bet is positive in both cases—even much higher in the second case. Yet a whole group of rational men refuse to take the second bet."

"It's too risky," one AMP explains. "My wife would brain me if I lost \$4,500 of our savings. The pain of possibly losing that much money means more to me than the pleasure of possibly winning \$5,000."

Obviously, there is an important difference in riskiness between the two acts which is not reflected in their expected dollar values.

Few businessmen could survive long if they consistently used either of these rules of thumb: "Pick the course that promises the least loss" or "Pick the course that promises the highest gain." In the one case they would never accept risk, and in the second they would accept any risk.

How much will you risk?

How can you measure your attitude toward risk and adjust your decision framework to fit your personal preference and circumstances like a tailor-made suit?

Essentially, you develop a scale showing how painful it is to you to risk different amounts of money. You then adjust the values you put on the tips of your decision tree and proceed with the regular backward induction process.

To develop a risk scale, you first set the dollar limits of the type of ventures you engage in. Suppose you determine that the most you could possibly lose in the venture would be \$45,000 and the most you could gain would be \$55,000.

You then give a "utility value" of one to \$55,000 and a value of zero to minus \$45,000. Your object is to find a utility number to go opposite every single dollar unit between minus \$45,000 and plus \$55,000. When you have

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ATLANTA	10	3 hrs. 45 min.	1.85	2.10	2.45
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CLEVELAND					
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One of a series of messages depicting another growing service of The Greyhound Corporation.

PATTERN

continued

completed your scale, these utility numbers should reflect your attitude toward risk. You can use the utility numbers instead of the dollars when computing the expected value of various alternatives.

Since it would take too long to make a separate decision for each dollar unit, you determine the dollar values for a few selected utility numbers, plot them on a graph and draw a smooth curve through the plotted points.

Here is a way of getting dollar values for other utility numbers.

To find the dollar equivalent of the utility value .90, you ask yourself what is the most you would be willing to pay to get into a drawing in which you have a 90 per cent chance of winning \$55,000 but a 10 per cent chance of losing \$45,000? If you decide that the most you would pay for such opportunity and risk is \$25,000, then \$25,000 corresponds to the utility value of .90.

In a similar manner you might decide that the utility number .40 (representing a 40 per cent chance of winning \$55,000 and a 60 per cent chance of losing \$45,000) corresponds to minus \$25,000.

When you have a few more such utility values you can make the curve. The less you are willing to risk, the more the curve bulges. The more venturesome you are, the closer the curve comes to a straight line.

Once you have made a risk curve save it for future use.

More cautious in the ranks

Prof. Vatter contends that the further down in the ranks you go, the more conservative subordinates are about taking risks with company money. The boss can overcome this by making all employees use the same curve showing the company's official attitude toward risk.

Associate Professor Stanley I. Buchin now takes over to show you, through a series of cases and lectures, how not to be "snowed" by your computer men. First he gives you a rapid introduction to how a computer works and to some of its terminology.

"A computer is a great big, dumb, not very beautiful secretary," he explains.

Magnetism causes an electric current in the computer to flow

one direction or the other. If it goes one way, that represents a zero. If it goes the opposite way, it's a one. Any number in our decimal system is capable of being "stored" as a series of ones and zeros in spots on a grid or in tiny doughnuts called cores.

A string of ones and zeros is a "word." The place where the word is stored in the machine is its "address." A typical "instruction" is to go to an address and pick up or store information there.

The computer is capable primarily of moving data around in an extremely limited manner, doing arithmetic and comparing the magnitudes of two pieces of data. Based on the results of the comparison, the computer can be directed to perform alternative sets of computations.

Programing a computer is time-consuming and expensive, because of the difficulties of breaking a problem into arithmetic operations and comparisons and of foreseeing the implications of all possible sets of data to be processed by the computer. Every contingency must be recognized and appropriate instructions put into the program.

By and large, data processing in industry today involves computer manipulation of past and current data to produce output such as payrolls and accounting reports. Anticipated future data could as easily be handled by the computer to help a businessman test out ideas for the future without engaging in tedious, time-consuming hand calculations or risking large sums of money in experimentation.

Called simulation, the process is mainly one of random sampling of the host of things that could happen in your test situations. Simulation should be used on problems involving uncertainties that are so complex it's impractical to consider all payoff values for every possible course of action. Typical examples would be problems in inventory control, location of plants and warehouses, new product introduction, capital budgeting and spotting future plant bottlenecks.

Once you have told the computer which course of action you want to test, the computer randomly selects numbers, each of which represents a different possible event.

What your computer can do

Unlike linear programing, simulation does not directly generate the best possible solutions, but it

does give estimates of the expected payoffs of different courses of actions.

It would be a waste of the executive's time to sit down for two weeks with a sharp pencil trying to work out some of these problems, Prof. Bishop points out. The executive should, however, develop with his analysts mathematical models of the problems he wants to solve.

The executive's role in such meetings is to give a verbal description of his problem, to identify all the factors that impinge on the problem and to decide which of the problems are important enough to consider.

After the analyst determines the best solution to the problem from the factors he has been given to work with, the manager must decide whether the solution is one he wishes to act upon. If it isn't, he must decide why and give this additional information to the analyst who accordingly revises the model of the problem.

"Your ingenuity and ability to do these things is vital," Prof. Bishop says.

"The analyst hasn't developed judgment with real world problems as you have.

"The manager and the technician together build the model of the problem they are studying. The better you understand the technician's language and the better he understands yours, the better your model probably will be."

GIGO's law

Prof. Vatter emphasizes that the critical part of all decision tools is the decision maker's judgment. Computer men have a well known rule called GIGO's law: "Garbage in, garbage out." If the decision maker has bad judgment, he'll probably get bad results. A man with bad judgment would be better off if he did not use these new decision tools, for they would only make him act consistently with his bad judgment.

"None of the systems guarantees success," Prof. Vatter warns. "We may have made the most astute and rational analysis in the world, but this is still a world of uncertainty."

REPRINTS of "Pattern for Success-5" may be obtained for 35 cents a copy, \$16 per 100, or \$135 per 1,000 postpaid from Nation's Business, 1615 H St., N.W., Washington, D.C. 20006. Please enclose remittance with order.



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THE



TIMES

U.S. as others see US



The detached observer often can spy the forest where we see only trees. The Washington correspondent for The Times of London thinks he sees where we are headed. His recent report from Washington is reprinted here with permission from The Times.

Americans have long maintained an elaborate pretense that they are a sturdily independent lot who would rather go without than accept government assistance. It is, of course, a lot of nonsense, as some of the natives will cheerfully admit...

What is, perhaps, not realized abroad is the extent of government help offered to the citizenry. Do you want to know how to store food in a refrigerator? The government guide to refrigerator storage will tell you.

Are you thinking of buying a new car? The government will provide you with tips on trading in, financing, insurance and how to save on tires.

Does your wife want to work? Careful now; what about the extra costs involved, such as the increased income tax and social security contributions, outside lunches, bus fares and the extra trips to the beauty parlor? Who will do the laundry? Again this gentle counseling comes from Uncle Sam,

or one of his nieces on the federal payroll.

Do you want to move the furniture around, or have one of those American kitchens you read about in the property advertisements? Are you still not very good at cooking meat, or making mint tea? Have you forgotten mother's advice on bottling; do you really know how to buy frozen foods, or an air-conditioner?

Do you want a recipe for baked fruit *flambé*, stir-and-bake fruit cobbler, Persian peaches or raspberry sorbet? Do you know what sorbet is? What about an autumn vacation, or a new tree in the backyard or some advice on cockroaches and termites? And cooking out: Do you really comprehend that meat is the hub of the meal, that everybody is entitled to a portion from the first grilling?

If you are an American, and feel rather inadequate under this barrage of questions, you know what to do. If you really do not know the difference between a queen-size and super-king-size bed, if you want to make a mortise-and-tenon joint, if your floors do not shine as those in the television commercials shine, then the answer is simple. Ask Uncle Sam, and his good friend Orville L. Freeman, the Secretary of Agriculture, will tell you.

He will also advise you on whether to own or rent a house, on mortgages, health, dishwashers, waste disposers, and children and

money. He has pamphlets with the answers to a thousand and one more questions, but those posed here are answered by the "Yearbook of Agriculture."

If foreigners, appalled by the extent of government interference in the United States, ask why the Department of Agriculture should be a universal aunt, Alfred Stefferud, the yearbook's editor, has an answer of sorts. Freely admitting that social conscience has overcome bureaucratic caution, he says, "Man cannot live by bread alone. This book reflects some—not all—of the many facets of the department's work in behalf of consumers and homemakers."

Mr. Freeman puts it into historical perspective. "For more than 100 years, the Department of Agriculture has been, in Lincoln's words, 'a people's department'—a department for producers and users of the essentials of living, for homemakers, for consumers. A department, in short, for all of us. This book presents practical results of the department's efforts to make the lives of people healthier, happier, more fulfilling. As an American, I am impressed by these accomplishments."

He may well be, but what the Secretary seems to be saying is that the United States started down the road that leads to socialism, and heaven knows what else, 100 years and more ago. . . . The enemy of rugged American individualism is well entrenched.

END

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*what have
you got?*



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WHAT NEW LAWS



PHOTO: GEORGE JAMES

It will be smart politics now for the Democrats in Congress to turn cost conscious, declares House Minority Leader Gerald R. Ford in this Nation's Business interview. You can't pay for Viet Nam and a new load of "radical and costly" Great Society programs, he says. But pressure will be on to increase minimum wages, repeal right-to-work laws, pass new unemployment compensation and lots more, Republican leader warns.

Mr. Ford, you have been back home and moving around quite a bit. What do you find people are concerned about today?

The overriding apprehension and concern that is shown almost any place you go is over the downgrading of the legislative branch and the tremendous build-up of power in the executive branch of government.

Most citizens have thought the Congress to be a coequal branch of the federal government. This certainly wasn't the case in the last session. People are concerned that the Congress didn't act independently of the executive branch in the last session.

I have also found that on the bread-and-butter issues there is a strong feeling that we are on the brink of some inflation.

People are not impressed with the actions taken by the executive branch in the case of aluminum and copper. Most thinking people realize, I believe, that the basic

cause of the price increases was the fact that the Administration has gone hog-wild in spending. And you can't blame industry when the pressures basically come from the fiscal policies of the Administration.

There is also a strong feeling that the Administration is in control of too much power as it attacks one segment of industry after another, whether aluminum, copper, banking or even agriculture.

What specific legislative issues are people most interested in?

The President's demand for the repeal of Section 14 (b) of the Taft-Hartley Act has excited a great many people. Every place you go, citizens ask, "Can Senator Dirksen and the others hold out against President Johnson's demand for repeal of this important section?" This, of course, is the right-to-work section.

Have you found more concern out across America over enlargement of

the power of the executive branch and central government than over Viet Nam?

Well, there is certainly a longer range concern—perhaps because it involves the total structure of the federal government. There has been an increasing apprehension about Viet Nam because of the upswing in casualties and reported deaths. It is hard to tell which is more seriously on the minds of the American people.

Do you find people don't want to move as far and as fast in the direction of more federal government programs as the Eighty-ninth Congress has moved?

I think a lot of people are shocked when you read them Mike Mansfield's statement about the Congress. He said we passed too many bills too hastily, with too many loopholes and too many rough corners and without any real appreciation of the present or ulti-

(continued on page 68)

CONGRESS WILL PASS



PHOTO BY GUY W. LORETT FOR THE NEW YORK TIMES

"We've got some of the really tough ones left," says House Majority Leader Carl Albert, as he appraises what Congress will do in 1966. "It will be no second-rate session," he tells *Nation's Business* in this interview. Americans "will be elated by the total product" of the Eighty-ninth Congress, he predicts. We can spend for guns and butter at the same time as long as the economy booms, the Democratic leader indicates.

Mr. Albert, what are people really concerned about today?

I have found no unusual concern in my travels around the country. Everybody, of course, is concerned, as they have been for some time, about our commitments and our policy and our successes in Viet Nam. And I find almost overwhelming support for the Administration with respect to the handling of the Vietnamese problem. I think that is a matter of concern which is raised in questions asked me from audiences in various parts of the country.

Have you encountered any reaction to the amount of legislation that went through in the first session?

I find an amazing—and I mean this—an amazing degree of enthusiasm about how well the Congress functioned in the last session. I have found very little dissension about what was done, and none about the volume of work which we did. All the talk that I've heard to

the contrary, I think, comes from politically manufactured sources.

This country, in my judgment, was never as pleased with the cooperative effort between the Congress and the Administration, and I think that this country is convinced that the Congress acted wisely and showed great capacity to legislate.

Didn't Senate Leader Mike Mansfield say there were quite a few rough edges that would need to be polished in the second session?

I agree with that, of course. Some things will undoubtedly show up. Some things still require implementation in the way of appropriations. But I think the over-all judgment of the people on the product of the first session is that it was one of the best jobs in recent times.

Why has Congress been charged with being a rubber stamp for all the President's proposals?

I think it's a natural political

charge when a Congress is able to enact a considerable amount of legislation in which the Administration is interested.

Of course I think you have got to realize that this wasn't just the Administration's program. The Administration is a part of the Democratic party. This program was in the national Democratic platform. I was chairman of the Platform Committee. I know we put many things in the platform that were not even requested by the Administration.

I know that we in Congress changed requests from the Administration. I know that measures have been around for years and advocated by Democratic members of Congress while Presidents Kennedy and Johnson were still members of the Senate.

As far as initiating many of these programs is concerned, they were just other members. They weren't spearheading some of these drives that come back in the form

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CARL ALBERT

continued

of their legislative recommendations to the Congress.

I find that the people feel that Congress has itself shown great capacity to legislate, and that Lyndon Johnson is proof of the fact. His experience comes out of the Congress. He supported measures as a congressman which were initiated by other members of the Congress, and he has recommended similar measures as President.

I think one thing we've got to remember about the first session of the Eighty-ninth Congress is that the House reformed its rules considerably. It did it on the initiation of the House, and not of the Administration.

This was an outgrowth of the late Speaker Sam Rayburn's decision in the Eighty-seventh Congress to add three members to the Committee on Rules. Mr. Rayburn stated at the White House, in my presence, that he wanted no suggestions from the Administration. We couldn't have passed the volume of legislation without these changes in rules, which originated in the House.

So I don't think the rubber-stamp charge means anything. This is no one-man show, even though I think Lyndon Johnson is the greatest legislative tactician of the modern era.

Mr. Albert, what do you expect the Administration will ask of the Congress in 1966?

Well, I expect, of course, that it will ask that the Congress finish those bills which were started which it did not finish. Probably it will take action in areas in which the Congress was not able to get around even to starting.

I think repeal of Section 14(b) of the Taft-Hartley Act will be one in which we will have to act. The House, of course, has passed a bill in this area.

I think we will find action in the area of wage-and-hour legislation, maybe situs picketing. The labor people are interested in that.

There will be more legislation, I think in the civil-rights field.

There is a lot of interest now in the question of juries; but whether that has reached the point where a decision can be made on what can or should be done, I don't know.

I look for some of our important fights to come in the consideration of appropriations bills, as they have in the past. This will undoubtedly

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continued*House Majority Leader Carl Albert*

be true in implementing the Federal Teachers Corps, the rent supplement provisions of the Housing Act, and perhaps, as usual, foreign aid will come in for its share of problems in Congress.

Sir, there has been some talk about food for peace. Do you think there might be some new legislation in that area?

I certainly think we will extend Public Law 480. We have always added various types of amendments. What they will be, I don't know. I have no idea. It has been a long time since I served on the Agriculture Committee, and I don't know what their thinking is.

But we will, in my judgment, extend the food-for-peace legislation.

I don't anticipate a large number of really controversial measures. But we will have five or six that will be pretty tough.

I don't think we can just call the committees together and report out the appropriation bills and adjourn within four or five months. I don't think we can do that.

We have got some of the really tough ones left, like 14(b).

Mr. Albert, do you think 14(b)—providing for the right-to-work laws—will be repealed?

I would think so.

As the Viet Nam war continues to accelerate, do you think that this will be used as a reason to call for economic controls of any sort?

I don't see that in the offing at this stage. I don't know, of course. There are many contingencies.

I don't see anything in the Viet Nam acceleration now that would indicate that there would be any differences in tax structure, or that there would be any reinstatement of wartime controls.

Do you think unemployment compensation benefits will be liberalized?

I do. There is a possibility there may be action in that area. That is one of the fields in which there is considerable interest.

Do you think there may be action on legislation to restrict packaging and labeling or on the so-called truth-in-lending bill?

I think it's possible.

What about regional aid on the style of the program of grants to the Appalachia region?

I feel that there is a very good chance that other regions will be approved for that type of thing.

We are vitally interested in this section, in the Ozark region. Considerable work is being done both within the region as well as within the government.

What about the area of water and air pollution?

Well, of course, these are fields of vital importance. We have passed important bills in these areas, and I would expect them to be implemented.

Do you see any new education legislation coming up next year?

I don't see any real breakthroughs, such as the elementary and secondary education bill. I do think we are going to find the federal government moving stronger in the areas in which we have already started.

That's higher education, vocational education, secondary and elementary, where there is poverty. I think you are going to see us moving in those directions.

Would you include international education?

I don't know about that. I haven't had any indication from the Administration that that was coming.

I've read a little about it. But I don't see that right now. And I'm speaking only for myself as an individual member of the House.

But I do think we will give more and more emphasis to education as a means of eliminating poverty and giving broader opportunities to our people.

Do you foresee any spending problems as a result of Viet Nam—trying to support a Viet Nam commitment as well as an expanded domestic program?

I can't foresee how big the Viet Nam affair might get. And I haven't been briefed in recent weeks as to

just how many additional requests will be made.

But our domestic program is flexible. Most of the Great Society bills don't have to be handled at once. You can evaluate your funding processes depending upon what the total requirements are.

I know the Bureau of the Budget has worked hard, and the President, and the various departments, to try to fund these various matters within limits which will be reasonable in terms of our military commitments.

Do you think, sir, what with the predictions of a budget of \$105 billion to \$107 billion that people are at all concerned about the spending for both guns and butter?

The people are always concerned that we spend wisely. But I think the people are also well aware of the great capacity of this country. I think they have tremendous confidence in its economy and its economic growth. We are capable of doing a whole lot. And, barring unforeseen changes, we will have more assets. And I think that is in the minds of the people.

What do you think will be the decisive issues in the 1966 congressional elections?

My own feeling is that the decisive issue—and on this issue I expect the Democrats to retain overwhelming control of the Congress—will be the fine legislative record which I think the Eighty-ninth will have made when it adjourns next summer.

Do you think you will make that deadline suggested by the President, of July 1?

I'll try to go along with the President. But it's going to be difficult.

Over-all, what kind of year do you expect in the upcoming session?

I think it will be a very good session. I don't expect it to be second-rate as compared to the first session. And I believe that the American public will be pretty well pleased, if not elated, over the total product of the Eighty-ninth Congress when we adjourn.

How would you characterize relations between business and the Johnson Administration in the light of the recent price rollbacks in aluminum and copper?

I think the relations are good. I don't know whether you could call those rollbacks or not. I don't think anybody was actually forced

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CARL ALBERT

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I have supported the President in what he did and what he said. I think the business community, on the whole, is very, very strong for the Administration. And if it weren't I think we wouldn't have the business activity that we have. I don't think the economic indicators could remain as good as they have remained. I don't think the stock market would have performed as well as it has performed.

It looks to me like there is broad confidence among the investing public and among the industrial leaders—the business leaders of the country—in President Johnson.

And I say that knowing full well that they realize that he is a strong man, and he doesn't mind making his position clear. But I think everybody has benefited, the public as well as business.

I think it benefited when he got the steelworkers and steel management together, and the railworkers and rail management together. He is strong and he does have an influence, I think. But I feel that this has reacted over-all in the business community.

Mr. Albert, do you see any signs of inflation today?

Well, I hope not. I think our real dollars have remained pretty stable.

I think one of the concerns that the President had in the aluminum and copper matters was that this might point to inflationary trends if the companies went through with what they had suggested they might do.

I'm not an economist. I really don't want to try to give a definitive answer on the subject.

On the subject of the federal poverty program, will Congress have another look at the implementation of this program in view of the criticism and bad publicity?

I am sure they will look at it. But those programs which have been implemented in my district have been popular, very beneficial. The only problem we have had is that there has been insufficient money in some areas to give everybody who desires the benefit of the program a chance to receive the benefits.

I have two Job Corps camps in

my district. I think they are both successful. One is well under way, and the other is just beginning, and well received. I think they are doing an awful lot of good for the boys that are in the camps.

The Head Start program, according to every teacher that I have talked to that had anything to do with it in my district, and I've talked to many of them, was an overwhelming success.

From where you sit, what kind of political animal does the businessman make?

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I think it's fine for businessmen, as well as others to get more interested in politics. I think all Americans should become more interested in politics. The business community has a lot to offer. But as far as being successful politicians, I think that depends on the individual, not upon the area of enterprise in which a person might be engaged. **END**

GERALD R. FORD *continued from page 62*

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The public has a strong belief that we ought to have three coequal branches of government, and we didn't have that in 1965. This, I think, is a real deep-rooted feeling that could be the major issue in 1966.

Mr. Ford, do you base your views on talks and contacts you have had with a variety of people in your area?

I would say my observations are predicated upon a good cross section of the American people. Now, the concern may be deeper and more vocal among certain segments, but there are people who work in production plants in Michigan, for example, who feel that the National Labor Relations Board is far too dominated by union people and by the Administration. There are many, many people in the production plants in Michigan who think that their labor organizations are controlled by a limited few, and they think this is related to excess power and the use of that power in the executive branch of the government.

Looking ahead, do you expect the Administration to come back to Congress with another big package of programs?

According to the President,

there are a number of things that he felt Congress hadn't concluded when we adjourned. He listed, I think, the so-called truth-in-packaging bill, truth-in-lending, repeal of Section 14 (b), the wage-hour bill, federalization of unemployment compensation, home rule for the District of Columbia and a number of other proposals. That is a pretty full schedule when you consider that 1966 will be an election year, with also the 13 or 14 appropriation bills that we will have to consider.

What will be spotlighted?

Probably the first issue that will come before the House is the Administration's request for the necessary money to fully fund the Viet Nam war. I am certain that early in January we will have a request for a supplemental appropriation that will be in the magnitude of five to eight billion dollars.

You see, we have been funding the Viet Nam war on an installment basis. The Administration came up for \$700 million earlier this year, then \$1.7 billion later, and these are only down payments on the necessary funds for fiscal '66. The paradox of it is that although the Administration has been funding the Viet Nam war on an installment basis it came to Congress and got full funding for all the Great Society programs—poverty, aid to education and all the rest.

It is obvious why the Administration did it. If it had sought all those funds for the so-called Great Society domestic program, plus all of the necessary funding for the

(continued on page 94)

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Is America a welfare state, a planned economy or is it still propelled by a free enterprise system?

Americans themselves disagree. Certainly more decisions are being made in Washington. The country's course now will depend in large part on whether you and other businessmen throughout the nation choose action or apathy this election year.

What's been going on in Washington is changing the way you operate. Not only is the federal government spending faster than ever, but new laws and decisions are influencing how you manage, whether you make a profit, whether you can control your costs.

Labor union leaders have successfully used manpower and money to help get what they want through politics.

There are about 400,000 paid union officials, in addition to the millions of union members who can engage in political action.

It has been estimated that unions spent \$20 million in local, state and national elections in 1964.



choice: ACTION OR APATHY

The Republican and Democratic National Committees spent only about \$15 million each in that election year.

Labor's political gains can readily be seen in the makeup of the Eighty-ninth Congress.

Here is a comparison of the Eighty-eighth and Eighty-ninth Congresses showing the changing balance between "conservatives" and "liberals."

	88th Congress		89th Congress	
Senate	56 L	44 C	59 L	41 C
House	224 L	211 C	267 L	168 C

There is considerable difference of opinion about the definition of liberal and conservative. But a liberal tends to seek solutions to problems primarily at federal levels. A conservative tends to seek solutions to problems first through the exercise of individual responsibility, then through local or state action, and only as a last resort, at the federal level.

The liberals now have 49 more votes than the 218 that are needed for House passage of most legislation. This margin of strength, of course, explains why liberal legislation has been approved so handily in this Congress.

Here are major legislative goals of union leaders for the Eighty-ninth Congress that have already been enacted into law:

Medicare, housing and urban renewal subsidies, regional development subsidies, federal aid to education, the Appalachia program and the poverty program.

But union leaders aren't satisfied with their gains

thus far. They are working for this legislation in the second session of the Eighty-ninth Congress:

The \$2 minimum wage, 35-hour work week, double time for overtime, federalization of unemployment compensation, Douglas credit bill, packaging and labeling restrictions, repeal of the right-to-work laws.

By all standards of measurement labor's legislative successes in the Eighty-ninth Congress as a whole will be impressive.

Where you come in

The heart of the matter is: Do you approve of the trend? If not, then our political system still offers an opportunity for change.

In the 1966 election campaign—starting now—you will have an opportunity to support or oppose some of those who now represent you in the Congress and in other elective offices.

What is the potential for change?

What's at stake in the 1966 elections: 35 of 100 Senate seats, all 435 House seats, 35 governors' seats, more than 6,500 seats in 45 state legislatures and thousands of local offices.

Every contest is important, but each critical contest where the outcome is highly uncertain warrants special effort because extra help can materially affect the outcome.

Close races can be expected in at least 100 congressional districts in 1966. You can determine which contests fall into this category and keep electing congressmen who will work to preserve indi-



ACTION OR APATHY

continued

vidual freedoms and strengthen our private competitive enterprise system.

Of the 35 Senate seats up for election, 14 are Republican and 21 are Democratic.

Elections to decide seats listed in capital letters are expected to be the closest.

Republican Senate Seats Up for Election

Allott (Colo.)	Saltonstall (Mass.)
BOGGS (Del.)	CURTIS (Nebr.)
JORDAN (Idaho)	Case (N.J.)
MILLER (Iowa)	THURMOND (S. C.)
Pearson (Kans.)	Mundt (S. Dak.)
Cooper (Ky.)	TOWER (Tex.)
Smith (Maine)	SIMPSON (Wyo.)

Democratic Senate Seats Up for Election

SPARKMAN (Ala.)	Anderson (N. Mex.)
Bartlett (Alaska)	Jordan (N. C.)
McClellan (Ark.)	HARRIS (Okla.)
Russell (Ga.)	NEUBERGER (Oregon)
Douglas (Ill.)	PELL (R. I.)
Ellender (La.)	Russell (S. C.)
McNamara (Mich.)	BASS (Tenn.)
Mondale (Minn.)	Byrd (Va.)
Eastland (Miss.)	Robertson (Va.)
METCALF (Mont.)	Randolph (W. Va.)
McINTYRE (N. H.)	

What can you do to influence the results of those elections?

As a businessman, you have certain abilities that are necessary and important in politics.

You know how to organize, manage and sell. And you have leadership capabilities.

We should evaluate now what we, as individuals, might do in the 1966 elections and what our companies and the organizations in which we hold membership might do to help elect the best qualified candidates to office.

Let's talk specifics and be practical by relating it, as much as possible, to the amount of time that you may have to devote to politics.



First, you can volunteer to be of assistance to the party of your choice and you can help to encourage capable people among your associates and friends to run for office.

You can run for office yourself. But if full-time public office is out of the question for you, there are other elective offices that would take only part of your time. Most city council, board of education and state legislative positions fall into this category. Some state legislatures meet briefly every year and others have a session only once every other year. Many city councils and school boards meet in the evening on an infrequent basis. These are elective offices that you can hold and still carry on your business or professional responsibilities.

You can devote part of your time to the many assignments that are involved in congressional and other campaigns.

We mentioned earlier that you have certain skills that are necessary and important in winning elections.

You can also help organize an Action Course in Practical Politics to train your employees, friends and neighbors to become active in politics. You can help organize these courses in your chamber of commerce, your trade association, your civic, fraternal, church and other community organizations.

And each of us has an obligation to support financially the party and candidates of his choice. The earlier in a campaign that contributions are made, the better. Contributing money is no substitute for work, however.

Back in 1893, Theodore Roosevelt said:

"It makes one feel half angry, and half amused, and wholly contemptuous, to find businessmen saying that they really have not got the time to go to ward meetings, to organize political clubs, and to take a personal share in all the important details of practical politics."

The decision is yours.

END

[This article is adapted from "Apathy or Action," a slide presentation on the 1966 elections available from the Chamber of Commerce of the United States, 1615 H Street, Washington, D. C. 20006.]



Assets:

what Tulsa thinks of sidewalk phones

"Modern sidewalk phones that are regularly serviced and well maintained—at no expense to us—are an asset to our city," says James L. Maxwell, Mayor of Tulsa, Oklahoma.

"They provide a real public service in offering Tulsans 24-hour convenience and safety.

"We're already considering more sidewalk phones for the city's busy locations.

"And the commission revenue the phones earn for our city's treasury is another important asset not to be overlooked."

Have you been overlooking the many assets that sidewalk phones can bring to *your* city? To find out more, just call your Bell Telephone Business Office and arrange for an appointment with our Communications Consultant.



Bell System

American Telephone & Telegraph
and Associated Companies

PHOTO: WIDE WORLD



to do anything about the problem we must spend many times what we have already provided.

As for the proposal that block grants from excess federal tax revenues be returned to the states to help them deal with their multiplying problems, I am inclined to think this would be desirable and that it should receive serious consideration.

"Spenders are in the seats of power"—Sen. Everett Dirksen

Sen. Everett M. Dirksen (R-Ill.), Senate minority leader:

The spenders are in the seats of power, and if there is a substantial increase in tax revenues, they probably will share only a part of it in the form of tax reduction. Meanwhile, plans are under way to spend money on everything under the sun.

As spending increases, a large part of it is handed to the states and localities on a matching basis. This means that the state and local governments have to find matching money, and there is a further rise in state and local taxes.

The taxes levied to support the new medicare program and the social security system are going up, and also the wage base on which the taxes are imposed, so that even if there were no increase in rates a great many wage earners would have to pay more tax. The wage base subject to the payroll tax is increased by the new social security law from \$4,800 in 1965 to \$6,600 in 1966.

Therefore, not only the political subdivisions but individuals are going to have to pay through the nose, even though there should be some reduction in the federal income tax. Any benefit of a tax cut will be eaten up by what people have to pay out of their pockets.

Suppose a man gets a \$50 a year cut in his income tax, and has \$150 a year in other taxes slapped on him. He is worse off by \$100.

Moreover, we cannot dump money into the economy at our present pell-mell rate without inflation that is bound to be higher than most economists think we can take.

What we are doing now is only a drop in the bucket to what is ahead. The spending budget is going through the ceiling.

Rep. Laird recommends tax cuts, revenue split with states

Rep. Melvin R. Laird (R-Wis.), a member of the House Appropriations Committee:

The Johnson Administration believes that as more revenues become available through the expansion of our economy, new spending programs must be found and old ones expanded to absorb a greater portion of the additional revenues.

As we progress toward a trillion dollar economy, a more sensible use of the additional revenues generated would be to return a substantial portion to the private sector through systematic tax reductions triggered automatically at regular intervals.

This, coupled with such other programs as the return of a portion of federal taxes collected within each state—which I have advocated for several years—would have several healthy results.

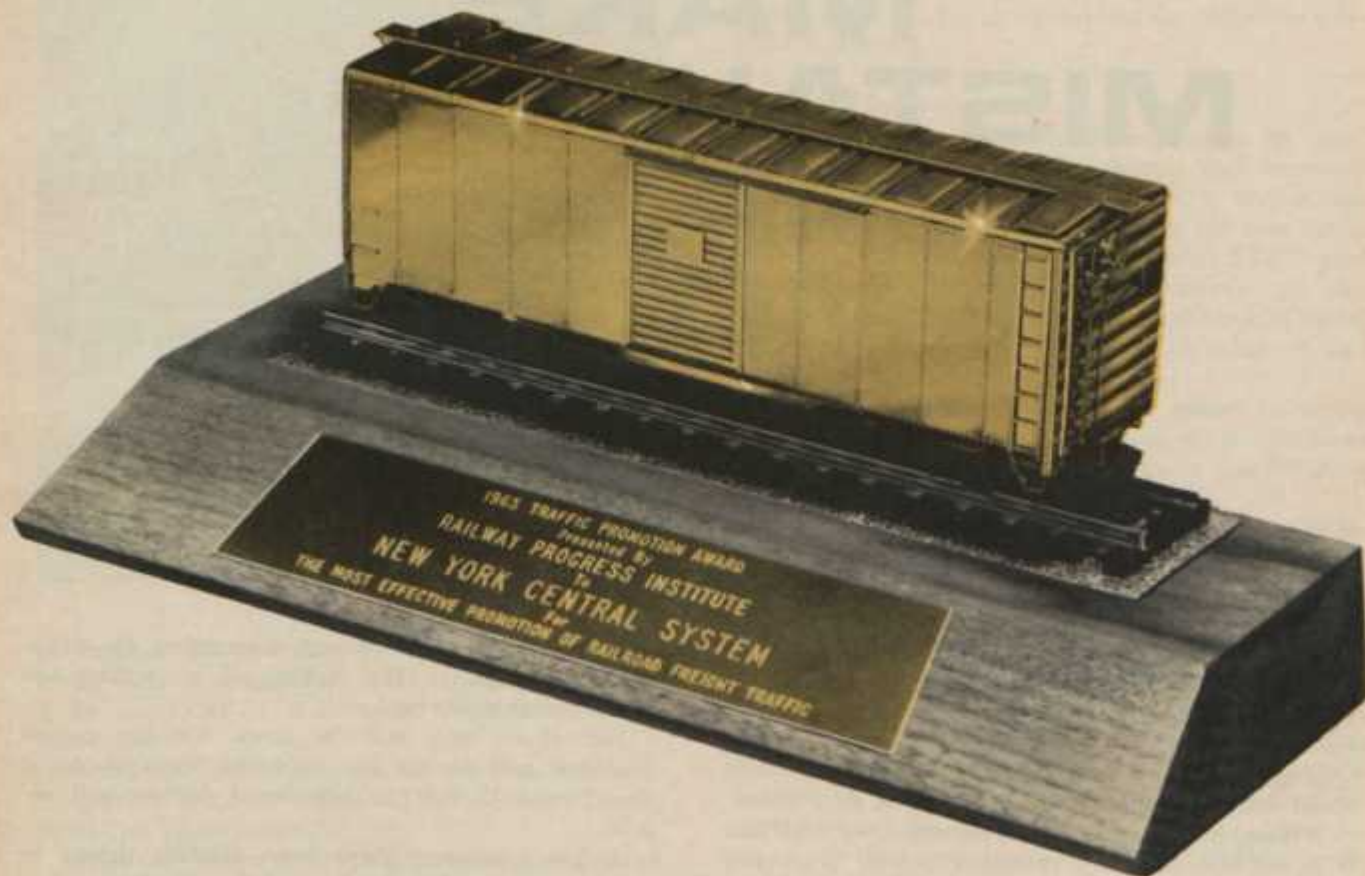
As our expanding economy generates more revenues in the years ahead, more meaningful attempts at restraining federal spending are mandatory. In addition, serious steps must be taken to retire the national debt and reduce the onerous burden of taxes on our people.

END

PHOTO: UPI



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the Midwest to Eastern ports, and **solid unit trains** for hauling coal and ore on a shuttle basis have revolutionized the transportation of these important products.

You'll find Progress Through Performance is a continuing practice with marketing-oriented New York Central.



MAKE MISTAKES MAKE MONEY

To err is not only human, it helps to
develop men and yield innovation

There has been a lot of talk about letting people make mistakes in business, giving them room to grow by trial and error. How many executives really believe in it?

Many company heads frankly regard the talk about letting people make mistakes as impractical.

Without meaning to be tyrannical, they feel that it is, as one company president put it, "... just plain common sense for a manager to steer his people clear of mistakes as often as he can. And it is human nature to reward and promote those who generally do things right, rather than those who seem to go wrong."

No room for blunders

The reasoning of the tight-rein executives can be summarized briefly:

People learn to do things by doing them right, they say, not by making mistakes. An easygoing attitude toward blunders leads only to laxity; it reduces respect for good performance. It also lessens respect for money, if it's wasted on experiments.

Experimentation is all right for research people, who are paid to do it; but when it comes to innovations in management areas, they should be left to the top man or the highest-level man available, so that his experience can reduce the chance of failure to a minimum.

So goes the argument.

But better than two thirds of the top executives of successful and growing companies who were asked about this say they firmly believe in letting people work on their own—and that they do practice this within reasonable limits.

Some tell of allowing mistakes to be made even when they see them coming and could avert them.

Mistakes are not meant to include careless errors of detail. Everyone agrees that these should be kept to the barest minimum. In the actual doing

of many types of work—an accounting or statistical operation, or the making of a product—the fewer mistakes, the better.

But there may still be room for the people in these jobs to try for improved ways of doing them, even though an occasional failure will result.

A few companies have been starting drives to make their people conscious of this distinction between useless mistakes and intelligent innovation.

The Martin Company Division of Martin Marietta Corp., for instance, has a "Zero Defects" program that is aimed at making each man alert to preventable errors. But the man who sees a way





to improve his operation is encouraged to suggest it—in fact, is considered to be making a mistake if he overlooks or shies away from a promising innovation.

Honeywell, Inc., has recently begun an employee motivation program called STEP (Strive Toward Error-free Performance).

When the seven-plant program was inaugurated, 19,000 employees were reminded that "only the individual can make the difference," and they pledged themselves to work as though the success of the company depended on their avoidance of mistakes.

But Honeywell hastens to stress the fact that this means preventing *unnecessary* error; it doesn't mean that the company frowns on new approaches just because they might fail. "Isn't there a risk that



emphasis on error-free performance will gradually give your people the habit of playing safe?" Honeywell's Gerry Morse, vice president for employee relations, was asked.

An urge to innovate

"On the contrary, we are determined to let nothing reduce our interest in change and improvement," he answers. "We are always urging our people to grow and develop by trying out new ideas. To encourage this, we have a parallel STEP program; along with error-free performance, we are simultaneously pushing the slogan 'Strive Toward Excellent Performance' to keep the idea of improvement in the forefront.

"When production workers are asked to stress the error-free principle, we mean more attention to detail, less rejectable products, a lower scrap rate.

"With engineers and other personnel whose initiative is the heartbeat of our business, we put more emphasis on *excellence*—and that includes creativity, innovation."

Many of the men who favor permitting people to learn by trying are much more than lukewarm on the subject. Some are zealously affirmative. John A. Keenan, president of the W. A. Sheaffer Pen Co., feels so strongly about this that he says flatly: "If there is to be growth of the company or the enterprise, there must be growth of the individual; this means a working environment without undue restriction.

"And this," continues the Iowa executive, "means it is desirable to provide both junior and senior executives with every opportunity to plan, to organize, to implement and to measure their own assignments."

Mr. Keenan points out that while his comment includes younger managers, each case must be considered on its own merits: "The extent to which control should be exercised over junior executives without stifling initiative and without hampering the learning process is a decision that should be based on individual circumstances and abilities. It must be recognized that mistakes will be made, but building of the person's experience for the long pull is all-important."

Finally, the Sheaffer company's president believes that the right attitude on this subject is the key to holding good men, preventing attrition.

"It has long been my personal feeling that a major cause of migration by executives, company to company, is the lack of a good working climate, rather than salary considerations. A good working climate, in my book, is characterized by opportunity to improve one's self—an opportunity to feel pride of accomplishment.

"This philosophy calls for substantial self-discipline on the part of the top executive," Mr. Keenan concedes, "but if he will adhere to it, he will have a better company."

All executives, even those who lean farthest to-

MAKE MISTAKES MAKE MONEY

continued

ward giving their people independence, would agree that reasonable limits have to be placed on this freedom. "It's a matter of degree," turns up in many responses—a matter of degree as to how many mistakes an individual should be allowed and also as to how big a mistake should be risked.

Typical of this common-sense rule is the comment of President Norton W. Rose of Cole National Corp. The head of the Cleveland key manufacturing company says: "I believe the best answer to the problem involves a matter of degree. Some men will improve very quickly when they make errors and are corrected. No manager can help his business or himself to get very far if he does everything without giving responsibility to subordinates.

"A manager must guide and caution his people and certainly guard against errors, but if you accept the theory that a manager can't be everywhere at once, it is inevitable that mistakes will be made.

"As a matter of practicality," Mr. Rose concludes, "I sometimes permit people to make mistakes even though they could be stopped in advance.

"If it is a minor enough situation, you can turn that error into a real advantage as you build a management team."

Guidelines for risk

What guiding conclusions can be drawn?

Most high-level executives seem to agree on an approach that involves considering the man, the job, the pluses, the minuses.

First, the manager's attitude toward mistakes should vary according to the nature of the man who makes them.

Ask yourself:

- What kind of judgment has he shown in the past?
- Does he try more new things than most people do? Are his mistakes few or many in proportion to his efforts?
- Are they "stupid errors" or bright ideas that just didn't happen to click?
- Does he recognize his errors and avoid repeating them?
- Does he show signs of growing into bigger responsibilities?
- How does his record of trials and errors compare with those of men who have had the same job before?

The manager's attitude should also vary according to each job that he is judging. On established operations, he should insist on performance that is as nearly flawless as possible. On new operations or attempts to improve old ones, the toleration of error should depend on how much potential gain can be expected from attempting innovations. To determine just how good the odds are, reflect on the potential gains and risks that might come

from letting subordinates have free rein. Ask these questions:

- Does the job have to do with the *income-generating* side of the business? The possibility of big gains makes the payoff on new ideas relatively attractive.
- Is it a job that involves big expenses? If so, the chance of savings is big enough to warrant considerable risk.
- Is it a job that involves mainly efficiency or smoothness of operation? These operations can sometimes have far-reaching effects on other parts of the business that do generate the money, but the chance of big gain is less.
- How much money is risked in each decision?
- How many other company operations could be slowed or affected by a failure?
- How much morale damage is possible?
- How many outside people or organizations might get a poor impression of your company because of a wrong decision?

The answers to these questions involving more freedom of action for subordinates are the real key to a logical policy that will improve profits and build a durable team. No manager favors trial and error for its own sake, but only for the practical results that it may bring.

The question of strictness or permissiveness in controlling subordinates is best answered by studying the details in each instance, rather than by sweeping generalizations.—CHARLES H. CERAMI

REPRINTS of "Make Mistakes Make Money" may be obtained for 25 cents a copy, \$12 per 100 or \$90 per 1,000 postpaid from Nation's Business, 1615 H St. N.W., Washington, D.C., 20006. Please enclose remittance with order.



LESSONS OF LEADERSHIP

continued from page 44

age. We now cover people and business for practically everything.

And in the life business we have had a tremendous upsurge in the amount of insurance purchased, first because of more coverages and also because of the realization on the part of the average person that life insurance is a good investment. So the life thing has gone up by leaps and bounds. Now, we have estate planning and we say to a young fellow, "All right, if you want to slow up a little when you are 65, you better take some insurance and if you die in the interim, which is the only way you can beat the game (they don't say that), your wife is all set."

She will have enough money to buy a new husband and probably a better one.

What you are really selling is the good life after 65?

Yes, when you feel like taking it easier. I don't.

I get a dollar a year from each of 13 insurance companies in our group.

My wife can't understand why I insisted on having them cut out my salaries, because she says I am working harder than ever.

It isn't hurting me any.

Do you think you will ever retire?

Not completely, I don't think so.

Is there any basic philosophy in this?

No, just that I'd rather work than play.

What do the others around the company think of this?

Well, generally speaking, they want the old guys to get out and make way for the younger ones. But I don't think that feeling exists here, because almost everybody knows that I gave up my salaries a long time ago and passed them on to the boys.

Do you foresee anything like a one-package policy for an individual, wrapping together life, accident, medical and maybe other coverage?

I think that may come. So far, that has not been done generally by the life companies; it is done more by the fire and casualty companies, but that is the trend and ultimately the public is entitled to it and ultimately they are going to get it. Some enterprising company manager will bring that out and

before long everyone will follow him.

New things come along and we are asked to function in many unusual ways.

Two years ago I was in Palm Springs and just before a nationally known golf tournament President Eisenhower said to me, "How about writing a policy for us to guarantee us against a hole in one?"

I said, "All right, we will write it for you."

"Well, Lloyds have raised their rates five times," he said. I said, "I will work out a policy for you." And we did it.

Things like that we didn't think of many years ago. Now the public expects that anything they wish to insure, they should be able to get at a fair price.

This means insurance salesmen will have to change, too, doesn't it?

Oh, yes. They will have to become much more knowledgeable and sophisticated. We are trying to educate them all the time to have a better all-line knowledge of the business.

There has been much talk about the impact of the riots in the Watts section of Los Angeles on the insurance industry. How did they affect your group?

Actually, that didn't involve too much property loss, nothing like what the papers led you to believe. One interesting thing is that the biggest single loss we had was on women's apparel which was in the dry cleaning establishments. You see, a woman is a tough person with whom to settle a loss. I love them but if a lady has a dress that goes down the drain in a dry cleaning establishment, it suddenly happens to be her one favorite dress—and brand-new too.

Is there some great moral in this?

Well, I think women have a philosophy a little different from men.

I have noticed coming back from Europe on a ship—I made a study of it—even the wives of men who have diplomatic immunity love to sneak something in just for the devil of it. I don't want to be unfair to ladies, but they get quite a kick out of it.

Was there any time, Mr. Kemper, when it looked like your personal business might go under?

No!

I think probably our most difficult time to shepherd our investments was during the '30's. It worked out all right. But it's when

you have trouble that you are tested to see whether you have any mettle or don't.

What do you do in this case?

Work a little harder. We try to find ways to help people hold their property.

We say, "We will extend your mortgage, don't pay us anything for six months. We will help you get a job or get you in some new business and keep you going."

And, of course, those people never leave you. They are grateful, you know, and they stay with you and recommend you to their friends and neighbors.

Did you cut back on employment?

No. But we reduced salaries all over the place, cut everybody. I took it first and then down the line, and then when we got over the hurdle we not only restored the salaries but gave most of them the back pay they missed.

They were fine about it. The American people are naturally cooperative. They will take the bitter with the sweet and adjust themselves.

What is the best way to get greater production out of people? More money?

By example.

For a salesman?

By example.

By example?

Money can't build money. You have got to do it yourself. If you want your men to be able to sell something, a new product, you have to go out and show them how or have somebody else do so.

I think example is the most powerful force in business and in life.

Set yourself a star?

Yes, and be willing to do yourself what you have asked others to do.

There is no such thing in my philosophy of life as an insurmountable obstacle. I've never had a face-to-face meeting with the devil, though; I don't know how that would work out.

END

REPRINTS of "Lessons of Leadership Part VIII: Setting the Right Example" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Please enclose remittance with order.

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Resources necessary for industry are abundant on Long Island. Fresh water is plentiful, and so is low-cost gas and electric power. The work force, already great, is steadily increasing. And Long Islanders work, play and shop in their own area, providing business and industry with an ever-expanding consumer market, as well as an unlimited supply of fresh talent from 19 local colleges and universities.

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CAPITALISTIC UNION

continued from page 39

by labor racketeers—and they usually get the bold headlines. But the quiet integrity of responsible unions like Local 1 may go unsung.

Its books are above board and all its financial statements openly published. It practices vigorous, total democracy. All members are kept informed of important policy matters which are decided by vote of the entire membership. Individual grievances are handled through a Council Board composed of craft representatives.

Union officials are always available to members. Officers are elected every two years by secret ballot. Only members who have come out of the ranks—who have worked in union lithographic shops—are eligible to hold office.

Edward Swayduck has been Local 1's president for the past 18 years. He is a former pressman who learned the business in his father's small old-fashioned Indiana lithography shop. Mr. Swayduck draws a \$20,000 annual salary, modest compared to those of some other union leaders.

Mr. Swayduck lives in an unpretentious, three bedroom \$16,000 suburban Long Island home with his wife and three of his four daughters. His one luxury is a "low-cost horse" which he keeps in a nearby stable for weekend riding.

Local 1 hasn't had a strike—or been close to one—since 1921. Since then, it has achieved all of its wage gains and fringe benefits through collective bargaining.

No compulsory arbitration has been needed in 45 years because the flexible bargaining machinery enables labor and management to settle their differences without government interference.

"We don't believe in letting government get between us and management," says Mr. Swayduck.

"We sit down and bat our brains out but we solve our own problems without bureaucrats. Our contract isn't a patsy. We don't tolerate wise guys in labor or management—left, right or center. If the profits are rolling in, we can negotiate. We negotiate hard, but when we come out of a bargaining session we have a contract we all can live with. If we reach a point where we are about to strike, either we or management, or both, compromise.

"I get an average of 70 phone calls a day. If there is any dispute which we can't solve in five min-

utes, somebody, either in management or labor, dropped the ball.

"Actually, our industry is like a ballgame. An umpire sometimes calls a close one and you don't like the call. So what? Next time, the umpire will give the close one to us.

"I say to management, 'Okay, Bill, you win this one. But remember, you owe me the next one.' It's as simple as that when labor and management understand and live with each other in mutual respect."

Featherbedding, the shortsighted practice of forcing employers to hire more workers than are needed, led Congress in 1963 to pass America's first compulsory arbitration law. Later as the result of an arbitration board decision, some 15,000 to 17,000 railroad firemen's jobs in diesel engines were held unnecessary and gradually eliminated under a plan to protect the displaced workers from hardship. Despite this, some unions have battled any efforts to end featherbedding.

In sharp contrast, Local 1 has consistently opposed featherbedding and other wasteful practices. These lithographers consider featherbedding immoral; they believe strongly that workers shouldn't consider themselves a privileged class to be paid for doing nothing. Nobody really benefits, they are convinced, by featherbedding. Sure, workers may profit temporarily, but in the long run industry and the nation lose.

"Featherbedding is for the birds," charges Mr. Swayduck. "It reminds me of the guy in the symphony orchestra standing around holding two cymbals, doing nothing when everybody else is working like hell. At a given signal one hour later, he bangs the cymbals once, then leans back again for another hour."

When Mr. Swayduck voiced this unorthodox labor view publicly in 1960, he was denounced by some union leaders. "I defied them to invite me to their meetings," he recalls, "to debate this issue in front of their members. But I never received any invitations."

Several years ago, Mr. Swayduck was faced with a rare featherbedding situation in his own union. Job classifications are spelled out in the local's contracts with its employers. "But I felt some featherbedding arose in certain classifications due to some new equipment," he recalls.

"It got to a point where certain types of workers could do their job just by standing near their machines a couple of hours a day. That kind



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CAPITALISTIC UNION

continued

of thing is a loss—nobody gains. It made sense to knock out these classifications and regroup them with others.

"The matter came up in a negotiating session. In front of my 35 man committee, I told management that I considered their regrouping valid. But I knew our rank and file would want some assurance that there would be no shenanigans. The management people showed good faith by being diplomatic and statesmanlike and spending four days with us hammering out the language of the new clause."

Today Local 1's president assures his members, "You produce more, and I'll get you more!"

Many unions have opposed automation. Others which give lip service to it, still dread it, fearing that machines will take away their members' jobs.

By contrast, this realistic union has found that automation means more jobs and higher wages. By making its products cheaper to customers, new processes have increased volume and created more work for lithographers. The switch from ancient flatbed presses to swift, modern rotary offset presses created infinitely more jobs.

In 1906, stone lithographic presses produced merely 500 sheets an hour one color at a time. Now high-speed web presses print 10 colors simultaneously on both sides, 18,000 sheets an hour.

Prosper through progress

Today's prosperous lithographic industry actually owes much to Local 1's enlightened attitude toward such laborsaving equipment. Instead of being a passive agency through which workers are forced to adjust to automation, the union has actively promoted it and encouraged management to mechanize to keep lithography competitive. Local 1 realizes that if the process becomes too expensive, most work would be done in black and white instead of color—which would require fewer workers.

"We don't fear progress, we welcome it," insists Mr. Swayduck. "Know-how pays off for everybody. Unions which don't automate are blind."

To promote automation, the union sponsored in 1960 the first hour-long TV program devoted to that topic.

Automation has kept down the

industry's costs. One New York lithography plant owner says: "Because of automation, our unit costs today are as low as they were in 1914."

Local 1 isn't worried about its members being temporarily displaced by technological advances, because it quickly retrains them for other jobs. Workers in many other industries, including building and textile, have resisted automation to their economic detriment. Mr. Swayduck continually reminds Local 1 members: "Automation is good for you!"

Several years ago in Washington, President Walter Reuther of the United Auto Workers twitted Swayduck: "That was a good gimmick, Eddie, your story about automation."

"You know that if you didn't have automation in your industry," Mr. Swayduck replied, "a car would have to be custom-made and would cost about \$35,000. What's more, you'd have only 10,000 members in your union instead of a million!"

Local 1 owns a spacious \$2 million headquarters in New York City's Union Square. The building houses a \$1 million apprentice school. Its five presses alone cost \$250,000.

The school's slogan is a quotation from Ben Franklin: "He that hath a trade hath an estate." Apprentices attend school one night a week for four years, and get paid for this, in addition to the salaries they earn working in lithographic plants during the day.

When new processes are introduced, journeymen take refresher courses at this school. Local 1 members also exchange technical information there at labor-management seminars, as well as at membership meetings.

In the tradition of free enterprise, the union is against seniority. Instead, it holds that a worker must stand on his skill and ability to keep abreast of the times. As a result, most of its lithographers receive overscale premium pay.

Unlike some unions, Local 1 doesn't practice race discrimination.

"We recognize differences in color on paper," Mr. Swayduck says, "but when it comes to human skin, we're color-blind."

To help the lithography industry prosper, Local 1 has spent more than \$500,000 during the past few years to sell its industry and its products.

It produced and donated to the U. S. Information Agency (USIA)

in 1963 some 250,000 portfolios containing typical examples of American graphic arts achievements. Distributed in the Soviet Union and Poland at USIA's "Graphic Arts-USA" exhibit, the brochures showed vividly how cultural exchange can bridge the gap between citizens of different nations.

Local 1 also prints *America Illustrated*, the USIA magazine which circulates behind the Iron Curtain. When Russian officials observed the superiority of *America Illustrated's* lithography to that of *Soviet Life*, the USSR's propaganda magazine reciprocally distributed here, they arranged to have *Soviet Life* published in an American lithography plant.

A well heeled maverick

Local 1 has been able to do all these things for its members, industry and the public because it always has been an independent, maverick, capitalistic-minded union. It has been in and out of the American Federation of Labor (AFL); in and out of the Congress of Industrial Organizations (CIO); in and out of the combined AFL-CIO. Though its membership is small compared to such giants as the automobile and steel unions, the loss to the American national labor organizations was great because of Local 1's long reputation for honesty and progressiveness.

Local 1 helped found the Amalgamated Lithographers of America (ALA), but severed its ties in 1965 when the ALA tried to force it to merge with a photoengravers' union. The merger would have diluted Local 1's plush pension fund.

Though once the costliest and slowest method of printing, today lithography has become perhaps the cheapest and fastest, especially for color reproduction. During the next decade, thanks to technological innovations, it expects to leap even more spectacularly ahead of letterpress and rotogravure printing because some unions in these competing trades have not been as flexible or farsighted.

Local 1 wants to prove that American democracy can work—even if it sometimes makes its workers seem like capitalists. Mr. Swayduck sums up the union's philosophy: "Today we're just at the beginning of a great renaissance in the graphic arts. We have hardly started to grow in the United States. But if you stop growing, you move backward. As I see it, that's the story of America."

It is also the story of Local 1. **END**

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WHY INCHES AND OUNCES

The U.S. **SHOULD** adopt a whole new system of measurement

*The case **FOR** converting to the metric system is made by Dr. Douglas V. Frost, Abbott Laboratories, Chicago. Dr. Frost was chairman of the Committee on Use of the Metric System of the Poultry Science Association in 1961 to 1964. He testified before Congress last year in support of a study of metric conversion.*



Ninety per cent or more of the world's population has now adopted the metric system, a means of measurement which simply coordinates the three primary measurements—length, weight and volume—into one decimalized system.

Even the English, who were responsible in the first place for the difficult system we now use, are abandoning it in favor of the metric system. America, however, lags dangerously behind the rest of our fast changing world.

In addition to confusing the average person, the English system of measurement is holding back our ability to trade with other nations. It is estimated that the United States is losing many billions of dollars a year in orders to countries that are on the metric system. Many U. S. products made to English measurements simply cannot be used in metric countries, even though superior to any other goods.

And there are delays, costly ones, when American designs licensed to firms in metric countries have to be converted. The trend is clearly to world standardization.

While we are seeking to compete efficiently with communist nations in world trade, we are hampered by our use of the English system, because the communist nations are on the metric system.

Actually, the metric system has been legal in the United States since 1866, but its wide adoption in the United States was stalled by the failure to set a deadline for mandatory conversion. With the passage of time, the English system has ingrained itself in our national life.

But our contributions to agriculture, science and world health, our ability to win wars and our great generosity in rebuilding fallen nations will mean nothing if we lose out in competition for trade by refusing to give up the inch, pound and gallon.

Change inevitable?

That change in the use of numbers is inevitable is seen in the "new math" and in computers. Use of the metric system has been spreading in this country.

Many industries have adopted the metric system at least in part: the chemical, (continued on page 89)

NOW ARE FIGHTING WORDS

U.S. SHOULD NOT adopt a whole new system of measurement

The case AGAINST metric conversion is made by John A. MacLean, Jr., president of MacLean-Fogg Lock Nut Co., also of Chicago. Mr. MacLean's firm manufactures industrial fasteners, locking devices and other products. The issue of metric conversion will be revived in Congress this year.



PHOTO BY ARDIE LIEBOWAN

The attitude of any American business on the issue of adopting the metric system of measurements and standards should be guided by one overriding principle: Is it economically justified?

Our management team, like that of any other of the millions of profit-making concerns in this country, must look on such a move purely on its business merits.

What will be the advantages and disadvantages, both on a short-term and long-term basis, to our company? What investment is involved? What can we expect as a reasonable return on this investment?

In the final analysis, these questions must be answered to reach a rational solution to a question now on the minds of many businessmen.

My company makes industrial fasteners (nuts and bolts, to the layman). This industry would be one of the first affected, if the metric system should become the only recognized system of measurement and engineering standards in the United States.

There is almost no segment of our industrial complex that doesn't use fasteners made by one or more

of the over 500 fastener manufacturers in the United States. The industry makes more than 500,000 separate items to some type of standard specification, and three million sizes, kinds and shapes of fasteners.

The key word that is often neglected in any discussion of the adoption of the metric system is the word "standards." Most business people, not directly involved in manufacturing, are not aware of the role that engineering standards play in business, and even manufacturers lose sight of the importance of our highly developed standards documents.

Standards are the key to having true interchangeability throughout the world. We cannot have interchangeability by simply converting all our inch dimensions to the metric equivalents. To achieve interchangeability, we would have to embrace all metric standards for all products manufactured in the United States.

Like many companies, we at MacLean-Fogg Lock Nut have taken a look at what metric conversion would mean to us. Our findings are probably typi-

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AGAINST METRIC

continued

cal of the fastener and other industries. We have concluded that there are no sound business reasons for our company to be interested in metric standards. We also would object to any mandatory regulations requiring us to convert our manufacturing facilities to the production of products made to metric standards.

No demand for metric sizes

The only law that regulates the dimensions and materials used in producing fasteners is the law of supply and demand. We have no demand for metric products, but we do have a demand for fasteners made to U. S. standards.

Getting right down to the specifics of why our company objects to regulations which would make the metric system mandatory, we would need:

- New and duplicate production tooling.
- New and duplicate inspection gauges.
- New engineering prints for all products.
- New prints for tooling.
- New dimensional specifications for raw materials.
- New rulers, micrometers and shop instruments.
- New dials and gauges on production machinery.

These are just some of the tangible items for which a cost can be assigned. The cost of re-educating personnel to think in a different measuring system is an unknown quantity.

Take production tooling. Since tooling wears out, it would appear at first glance that old tooling could be replaced with new tooling to produce a metric fastener. We could change our shop drawings to comply with the metric product, our catalog drawings and our tooling prints. The inspection department could buy new gauges and tools needed properly to check the metric bolt. It all sounds so reasonable, except for one factor—the customer.

Suppose we have been selling these bolts to five large customers, but only two of them are ready to accept the metric replacement? (The new metric bolt is not interchangeable with the inch product.) We would have to continue producing the inch product also. Even if all five customers accepted the metric bolt, they would still need

the inch fastener for replacement parts and maintenance.

This means that we would have to maintain two sets of tools and dual stocks of finished products. Because of the nature of our business, we have heavy investments in production tooling and inventory of finished product. Doubling the cost of these items would place a financial burden on our company which would not be offset by a reasonable return. This would be the case in business after business throughout America.

Suppose the conversion to metric were spread over a long period of time as planned in Great Britain. This would not reduce the financial burden to any extent, because it would still be necessary to produce both inch and metric products until everyone had converted. If conversion were required on a crash basis, it would be nothing short of disastrous.

Let's look more closely at how our customers would be affected. The automobile manufacturer is a good example. He uses millions of fasteners and other component parts (also built to standard specifications) to make an assembly for which standards, style, performance and safety are set by the public.

It may seem that the auto maker could make the switch by simply converting all his blueprint dimensions to metric equivalents. No small job for something as complex as an automobile, but within the engineering and financial realm of reality for a major auto producer. After all, new prints must be made as styles and dimensions change periodically.

It makes little difference if the hole in the fender panel that accommodates the tail light is dimensioned in inches or centimeters. However, the tail light must be attached to the fender panel and therefore holes must be drilled and tapped in the light housing to accommodate a threaded fastener. Now the car manufacturer finds himself faced with more than a simple numerical conversion. He must start thinking in terms of new drills, new taps and new punches, plus new assembly tools to handle the different head sizes and driving recesses that standard metric fasteners carry.

Would such an expenditure pay off in terms of increased business? Would more American cars be sold in metric countries? The only honest answer is "No," unless you believe that the popularity of the Volkswagen in the United States

is due to the fact that it is built with components produced to metric standards.

I believe that few consumers care if the products they purchase are made to metric standards. However, the consumer does care what the product costs. It would not be to the consumer's advantage or the seller's advantage if the cost of a product is increased because the manufacturer has been forced to produce to metric standards.

No more efficient

Even one of the widely claimed advantages of the metric system—its reputed computational efficiency, for example—is meaningless to our company. The metric system of measurements is a decimal system that has no fractions. Because measuring and calculating are so important to our business and because of the close tolerances used in fasteners, we have for years used only decimalized dimensions on all our working drawings. So, our inch measurements are as easy to handle, by our production and engineering staff, as metric measurements.

So we are against any enforced switch to the metric system of measurements and standards. We believe a majority of the nation's businesses would reach this conclusion if they made a purely business decision based upon economic considerations—the only ruling criteria for any new product or concept, or major manufacturing change, regardless of its technical or scientific appeal. **END**

FOR METRIC

continued from page 86

electric power, photographic, optometric and electronics industries are a few.

In 1957, a committee on the metric system was appointed at Abbott Laboratories, and after nearly a year's study recommended adoption of the system for the following reasons:

- To reduce source and opportunity of error caused by use of mixed systems.
- For simplicity of nomenclature.
- Because it permits one-to-one correlation between weight, capacity and length.
- For simplicity of calculations, since it is entirely a decimal system.
- To simplify record-keeping, calculation of production runs by



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FOR METRIC

continued

packaging and purchasing requisition.

- For ease in writing formulas and making changes in batch size.
- To permit continuity from research through development and production.
- To simplify data for use with computers.
- And for timeliness, because medical science, and the majority of the ethical pharmaceutical firms were in the process of converting.

Over four years, Abbott's pharmaceutical operations were converted to the metric system for less than \$25,000. No figures are available on the savings arising from conversion, but they are estimated to be substantial.

Vital to research

The metric system is used universally by the scientific community. With the growing importance of research, it is well past the time when we should have changed all our operations to the metric system to avoid the wasted time and great possibility of error in converting research data (metric) to production data (English).

A number of federal bureaus and the U. S. Army have adopted the metric system in part. Physicians and pharmacists use it. The U. S. Coast and Geodetic Survey employs it in its basic triangulation survey of the country.

Many food products you buy carry metric equivalents on their labels.

Although at the present time these metric statements of weight, length and volume are probably not of much help to shoppers, they will be a great convenience in comparing value and price at a later date when Americans become more familiar with the simple-to-understand and simple-to-use metric system.

There are only three basic units in the system: the meter for length, the liter for volume and the kilogram for weight or mass. Then when one learns that *centi* means 1/100, *milli* means 1/1,000, and *kilo* means 1,000, the system and its working units are easily remembered. This is vastly simpler than the multiplicity of units in the English system.

In the decimalized metric system, the ratio between any two successive units is 10 or its reciprocal. But in the English system,

there is no one common relation between units of any one series.

Sometimes, in an attempt to avoid some of the problems caused by the English system, units are decimalized instead of expressed by fractions. The decimalized inch is sometimes offered as a "solution" to the difficulties caused by the English system—but it is still of only minor assistance, since the relations between the different units are still irregular.

In the English system, the more familiar units of length are the mile, the yard, the foot and the inch. But there are also many other units of length used for various purposes: furlong, rod, fathom, span, hand, line and point. And there are three kinds of mile: the statute, U. S. nautical and international nautical. The problem is just as complicated when we are concerned with volume.

The metric system has only one basic unit for volume and one for weight. And a very convenient relation of the units of volume or capacity and weight is that a liter of pure water, at standard temperature and pressure, weighs very close to one kilogram, and a milliliter one gram. Thus, it is easy to determine the weight of any liquid if its specific gravity is known.

If the proposed study of the metric system shows such change not only feasible but worthwhile, we could work with England, Canada and all other nations to make the change with minimum disturbance and advantage to all. Once the die is cast, the stimulation to business, both foreign and domestic, should be tremendous.

Estimates of the cost of converting are impossible to make with any accuracy. Many figures cited have been absurdly large. It is also difficult to estimate the savings that would result from such a change. However, the simplicity and convenience of the metric system are in the long run certain to justify its adoption.

Conversion may always be "too expensive"—unless industry decides that the long-range benefits will more than justify its expense.

It is worthy of study by the Department of Commerce, the National Bureau of Standards, the National Academy of Sciences, the new National Academy of Engineering, by all educators and by all businessmen. The United States cannot afford to do otherwise and the study proposed in Congress is in everybody's interest. **END**



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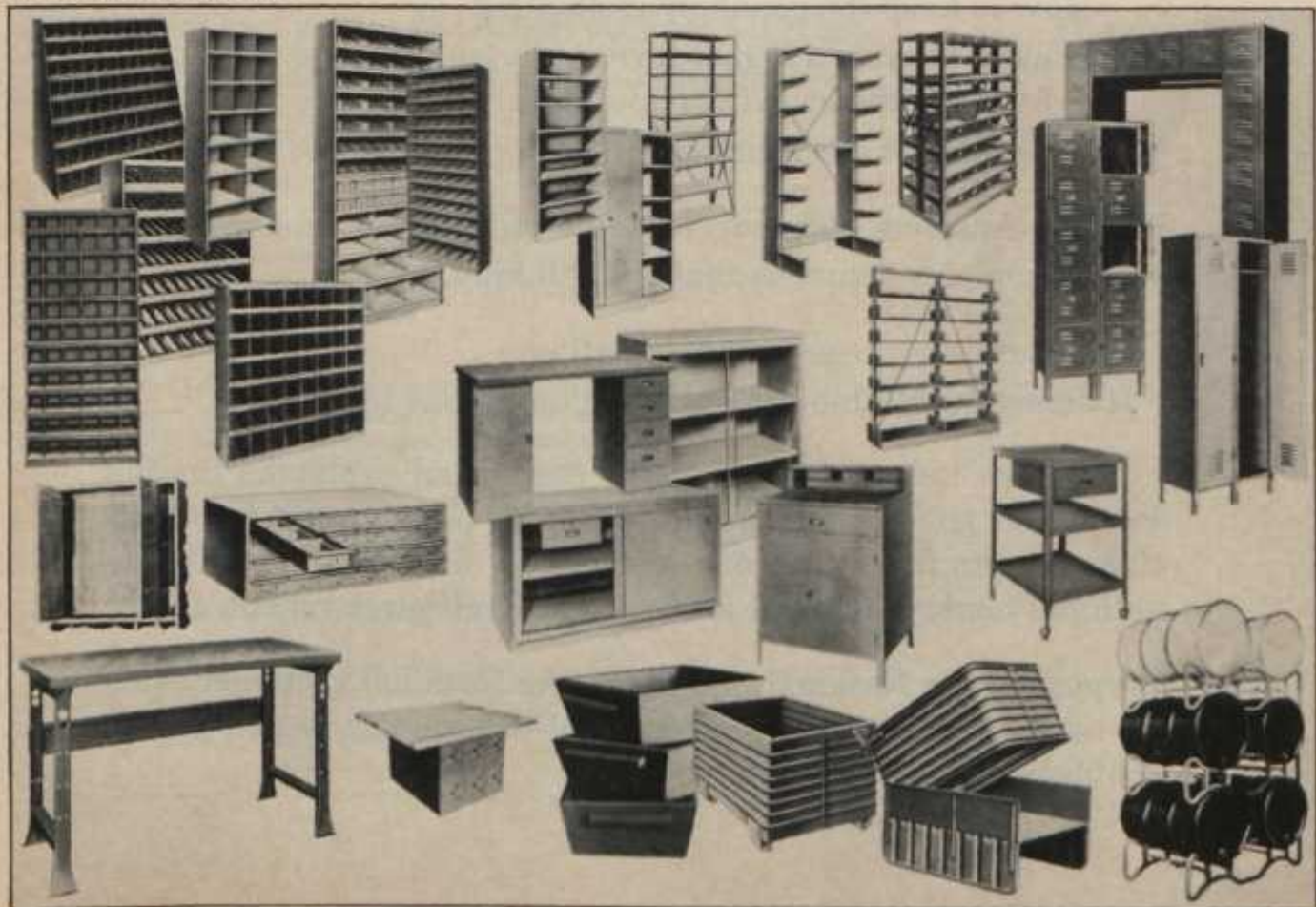
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*House Minority Leader Ford*

Viet Nam war, the Congress would have been shocked. So what the Administration did was to come up and get all of the money for the Great Society programs, and in the meantime go along on an installment basis for the Defense Department.

If the Administration had asked for both at the same time, there would have been serious cutbacks in the Great Society programs, because Congress knows that we can't possibly fund both in 1966 nor in 1967.

What do you expect to be the most controversial issues?

I would say repeal of Section 14 (b)—the right to work—and the President's insistence on funding the rent-subsidy program. I am hopeful that Congress will continue its opposition to this program. There was some evidence that Congress would not, in the final analysis, fund the program; and, believe me, when you get out in the country and talk to audiences and tell them what the rent-subsidy program is and what the Housing and Home Finance Agency intends to do, the public can't believe Congress would have authorized such a program in the first place. So this will be a serious controversy.

I suspect the Federal Teacher Corps proposal will be another. That was authorized but wasn't funded last year, and I think there will be real controversy in this area.

Do you think the Senate can block 14 (b) repeal?

It will all depend upon the reaction the senators got when they went home, and who can stand the endurance struggle and prevail.

Right to work is the pending business in the Senate. And of course the President, despite what

some businessmen think, has a deep interest in repeal of Section 14 (b). And I have talked with Senator Dirksen and he is determined. This is going to be a very serious controversy very quickly.

Do you think the Johnson Administration will use the Viet Nam situation as an excuse to call for greater economic controls?

Well, the Administration met several challenges without getting any more control laws in the case of aluminum and in the case of copper.

It will probably need some legislation to continue using these weapons. Whether Congress will grant that authority or not, I don't know.

I have talked to several members of the House Committee on Armed Services, one Democrat and two Republicans, and all three of them expressed concern and general opposition to freeing the stockpiles for the purposes the Administration pursued in the recent cases.

Whether this opposition will continue or not when we convene this month, it is hard to tell. But I am sure the executive branch of the government will insist on all the flexibility it can get from Congress for any purpose it wants.

The Administration doesn't want Congress interfering. It wants a blank check. In any and every field where it wants to operate—whether it is business, labor, education, poverty—it wants open-end, blank-check authority.

As you know, Congress in 1964 passed a poverty program. In 1965 we extended it. The legislation was very loosely drawn. It gave almost unlimited authority, and as I get around the country, I find more and more illustrations of the fact that this legislation is going to cause serious problems for the Administration.

We had a very bad riot out in Kalamazoo, Michigan. Some Job Corps trainees came into the community of about 75,000, went to a local dance and got involved with local students. Eleven or 12 of these Job Corps trainees were apprehended after this riot. As I understand it, U.S. tax dollars were used to bail these trainees out of the local jail. Well, this kind of use of U.S. tax dollars, whenever you tell the story, shocks people, and it is possible only because Congress gave a blank check to the Administration in the poverty program.

I hope we can tighten up the program in the future.

Will federalization of unemployment compensation insurance be an issue in '66?

This will be a bitter struggle. If the White House puts on the kind of pressure here that it put on 14 (b), legislation in some form undoubtedly will go through.

What about the minimum wage? Do you think that will be increased?

I am sure there will be a minimum wage bill. It won't be the kind of bill that came out of committee in the last session. I think everybody has pretty much abandoned that bill. As I understand it, the bill is now going back to the subcommittee for additional hearings in the House.

It won't be as much as the bill contained in 1965, and I don't think the coverage will be expanded as much as the bill called for last session, but I am sure a law is going to be passed.

What about education? There has been talk about an international education program.

I think we'd better digest the higher education bill, the primary and secondary education bill and all the other bills we passed this year before we start getting into the international field. This is a pretty big bite already, and when I hear from local school boards, who are concerned about the requirements imposed on them by the federal authorities, I think we had better resolve some of these problems before we start going beyond the continental limits of the United States.

Is there pretty widespread agreement with you on this throughout Congress?

I think so.

Do you think there will be any tax legislation this year?

I don't see how we can reduce federal taxes. When we get the President's request for the additional funds needed to carry out the war in Viet Nam, this is going to be a surprisingly large bill. Then when we get the new budget for 1967, there will be at least a \$10 billion to \$12 billion increase over what was asked for last year. This just precludes, in my judgment, any tax reduction.

Earlier you mentioned bills related to the consumer field—the Douglas credit bill, packaging and labeling

and so on. Do you think these are a greater threat this year than they have been?

Well, the President has indicated that he is all for the legislation. It all depends on how much pressure the White House puts on.

The President has indicated that we ought to adjourn next year by the first of July. If we have all of these programs or proposals, plus regular operating legislation, appropriations and otherwise, I don't think we can meet that suggested terminal date.

There has been a lot of talk about food for peace.

There have been a number of suggestions made that we ought to utilize more fully our capability to produce more in the way of agricultural commodities.

If the Administration would do that and get away from the annual appropriations for the regular foreign aid programs, it seems to me that it would make a pretty good package. But I don't think we should increase the Public Law 480 Food for Peace program by 50 per cent or 100 per cent and then continue the regular appropriations of \$3 billion plus for foreign aid. If you are going to do one, I think you ought to cut back the other. When you add up all of the foreign aid programs, including P.L. 480, the bill in 1965 was about \$7 billion.

Do you think there will be any legislation this year in the areas of water or air pollution?

I think we passed a very good water antipollution bill with some checkrein by the local authorities and the state authorities. I think this is good legislation. I don't think we have to go any further.

In air pollution there isn't the broad public demand one saw with water pollution.

Are there any other issues that you think will be up for action in 1966?

There will be considerable congressional interest in the administration of many programs, particularly the poverty program.

Congress is going to do a little public exposure of maladministration, inept administration and lack of administration in the poverty program—and a lot of the other programs.

Mr. Ford, you have been in Congress since 1949. Do you feel that Congress has become subordinated?

In the 17 years I have served I

have never seen Congress so subservient to the White House as it was in 1965. Whenever the White House said it wanted a bill reported out of committee, that meant that the bill was reported. And this was true regardless of the time. There were many instances in which a committee would take 20 minutes to act on a bill.

Probably the best example of this was the Arts and Humanities bill, which was railroaded through the Committee on Education and Labor after about 15 minutes of consideration. Even a motion by the minority that the bill be read was summarily rejected by the majority.

Today we have 2.5 million civilian employees of the federal government, whose annual payroll is about \$17 billion.

Now compare that with the legislative branch. We have 535 members and approximately 9,000 employees. It is like David and Goliath.

The other factor which is significant is that out of those who work in the executive branch only two—the President and Vice President—put their record on the line. The rest are immunized and isolated from the public. I think many Americans sometimes get a little irritated by the fact that they just can't do something about this octopus which is the government's executive branch.

Have you found around the country any evidence that Washington is out of tune with what the people of the country really want?

Yes, I believe the President has misread the election of 1964. Certainly his programs are out of tune with public sentiment today, and as a consequence I think there will be a swing back politically in 1966.

How do you reconcile the success of the Johnson program in 1965 with the grass roots disapproval you say you have found?

I don't think the people voted in 1964 for the kind of programs that are being rammed through Congress today. The 1964 election had many, many factors in it. It certainly wasn't an overwhelming mandate for a radical, costly philosophy, which is the case now.

Mr. Ford, do you think the Administration and Democrats generally may try to present a somewhat different face in terms of legislative proposals this year? A more cost-conscious approach?

I should hope that they would



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continued

become cost-conscious, and particularly when they are faced with the hard realities of financing the Viet Nam war. I hope they will pull back from funding some of these social programs that were rammed through in the first session. This would be very smart politics on their part.

What do you feel should be done in the next session?

I think in the new session Congress has a major responsibility to try to correct some of the legislation we passed last year and not try to pass a whole volume of new bills.

Let's digest what we did, and let's take a good look to see whether there have been oversights, rough edges. I am sure that is the case, but those of us in the minority have difficulty doing anything affirmatively when we are outnumbered two to one.

During the last session, on six major bills we in the House on the Republican side offered what we thought were constructive alternatives. If the Administration comes up with new legislation in other fields, I hope that we on the Republican side can have some positive alternatives, rather than simply voting No.

How do you assess the effectiveness of increased business participation in politics?

I think it varies from area to area and to some extent industry to industry. In my own area businessmen are actively participating in a constructive way. We really worked on that. The Chamber of Commerce has done a good job. The employers' association has done well in keeping businessmen active, and the Republican party has tried to do the same. **END**

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